

EVENING SITTING

COMMITTEE OF FINANCE

General Revenue Fund  
Highways and Transportation  
Vote 16

**The Chair:** — I remind committee members that this department was last here on May 8 and, before that, on April 14. Committee members will find the estimates starting on page 71 and 72, and before I call the first subvote, I'll invite the Hon. Minister of Highways to reintroduce his officials.

**Hon. Mr. Sonntag:** — Thank you very much, Mr. Chair. Seated to my right is the deputy minister of Highways and Transportation, Ron Styles. Immediately to my left is Barry Martin, assistant deputy minister of operation. Seated behind me and to my right is Don Wincherauk, the assistant deputy minister of corporate services. And seated directly behind me is Fred Antunes, the director of operations, support and planning.

I actually thought I might have gone through an entire day without questions, but I guess that's not the case.

**Subvote (HI01)**

**Mr. D'Autremont:** — Thank you, Mr. Chairman. I'd like to welcome the minister and his officials here today.

There's been a lot of contention as to how much money the government is or isn't spending on highways this year, therefore I'd like to ask some questions in direct relationship to what the budget talks about as far as it comes to spending money on highways. The budget has allocated \$250 million this year for highways, but most of that — I shouldn't say most — a significant portion of that goes for administration and various other items. The two largest pieces though are for preservation of transportation system, 109 million, and construction of transportation system, 61 million.

I wonder, Mr. Minister, if you can explain to us exactly how much of the \$61 million of construction money actually ends up on the road not counting your planning department and all of the other auxiliary services that we've included in construction planning, but that actually makes it to going onto the road?

**Hon. Mr. Sonntag:** — My response to that would be that all of it goes into the roads . . . into construction, I should say. However, there is for engineering services — which obviously I don't think you could do any of this work without engineering — there's 5.491 million. So the total, if you discount any engineering costs, the actual amount is 55.792 million.

**Mr. D'Autremont:** — Thank you, Mr. Minister. How much of the 61 million allocated to construction is purchase of materials and supplies?

**Hon. Mr. Sonntag:** — I don't know if you can be any clearer in the question. You're fairly specific in what you're asking. But when we do a tender, the tender includes in most time . . . it most often includes the supplies as well or the material as well,

so it's difficult to answer the question.

**Mr. D'Autremont:** — Okay when you're doing a tender for construction of a piece of highway, you include the material in it. The equipment would be included as part of the tender and salaries. Do they take up the entire \$55 million that you were talking about for those three items?

**Hon. Mr. Sonntag:** — The answer to your question is yes.

**Mr. D'Autremont:** — Thank you, Mr. Minister. Of the \$109 million that you have allocated for preservation, how much of that . . . now that, because it's not being tendered in most cases, that's being put on by the Department of Highways itself. How much of that is material and supplies?

**Hon. Mr. Sonntag:** — Okay, to answer the question. First of all, when I run through this I want to respond to one of the points you made that the private contractors get very little of this work.

First of all, salaries — 18,116,000. That's the salaries we pay internally to the department staff that do the work. To suppliers and for supplies — 31,440,000. And over 50 per cent — 59,942,000 — goes to private contractors that do a lot of the work that you've described in the 109 million, which is a point that I've often made is that a large part of this work actually goes to private contractors and road builders as well.

**Mr. D'Autremont:** — Thank you, Mr. Minister. Well as you drive around this province and whenever you see a highways vehicle, there's a good number of them that are fairly new vehicles, if you happen to see one. Where in the budget is the purchase or lease, as the case may be, of new highway equipment?

**Hon. Mr. Sonntag:** — We apparently do the specifications for the types of equipment that we want and then we turn it over to Sask. Property Management who does the tendering for the purchase of the equipment.

**Mr. D'Autremont:** — And where does that show up though in the Highways budget? Do you pay them a lease or do you pay them capital costs for the purchase of the equipment?

**Hon. Mr. Sonntag:** — It's purchased through the revolving fund.

**Mr. Elhard:** — Mr. Chairman, you know I've waited a long time for this opportunity and I almost missed it tonight, so we'll get right to the meat of the matter here if we can. Mr. Minister . . .

**An Hon. Member:** — What are you doing?

**Mr. Elhard:** — I hate it when he puts words in my mouth, but sometimes he gets more to the point than I do.

We've got a \$250 million budget which you repeatedly have said is the largest your government has ever had for highways. It's a 6.6 per cent increase, \$15.4 million more money. Now in terms of percentage, the largest increase, when I went through

the *Estimates*, appears to be going to the airport projects, particularly in the North, and I think most specifically the La Ronge airport. Now the money for this project, as I understand it, comes from the federal government. Is that correct?

**Hon. Mr. Sonntag:** — Yes it is.

**Mr. Elhard:** — Well if so, Mr. Minister . . . Mr. Chairman, I'd like to continue with this line of questioning. If this is so, really that amount of money is just a flow-through amount. The fact is that \$4.5 million of the total 15.4 is actually a gift from the federal government for which your government is taking credit in this budget. That means 30 per cent of the whole increase is not really provincial money at all. Would you care to elaborate on that particular item please.

**Hon. Mr. Sonntag:** — I'd just say, at that level of contribution we think the federal government should be contributing a lot more than that.

**Mr. Elhard:** — Mr. Chair, the federal government seems to be on the hook for a lot of money for the Department of Highways these days, and if you can get it, we'll all be grateful.

For the record, Mr. Minister, will you explain to us the difference between the new road classification system and the system which we are currently using and are familiar with? Are there costs associated with the implementation of the new classification system, and where are they indicated in your estimates?

**Hon. Mr. Sonntag:** — Just to add one more point before I answer the question that you've just asked.

The funding that we talked about through the airports, which is ACAP (Airports Capital Assistance Program), that is essentially the only funding that the province receives from the federal government. There isn't any other source of funding for transportation, other than I understand . . . I think \$300,000, that really is almost nothing, through the CAIP (Canada/Saskatchewan Agri-Infrastructure Program) program that's left. Other than that, the province funds transportation entirely on its own.

I'll answer your other question in just a second.

We've gone from 12 classifications down to 7 classifications. There's no cost at all incurred in going from 12 to 7 for anyone. And the rationale for it was just simply to get some consistency across the province as traffic patterns have changed to some degree.

**Mr. Elhard:** — Mr. Chairman, just following up on that, I understand that the classification system, the new system, was arrived at after extensive efforts on the part of a committee. So the cost for that committee — they would have meeting costs and travel costs and so forth — are they indicated anywhere in the estimates?

**Hon. Mr. Sonntag:** — Apparently not because that would have been last year's costs and we're dealing with this year's estimates.

**Mr. Elhard:** — Mr. Chairman, as I looked at the estimates this year I see a \$4.5 million additional amount going to airports which we have talked of as a flow-through from the federal government; salaries increasing by \$2.3 million; accommodation and central services estimates up by \$1.5 million; for a total of 8.3 million. Now if the increase in the budget is 15.4 that means that more than one-half of the increase isn't even going to get to the road system for construction or repair.

The \$1.5 million going to supplies or suppliers as an increase in the budget is quite substantial in my estimation. Can you tell me what the supplies are and what do the increases actually represent?

**Hon. Mr. Sonntag:** — Now if after I've gone through this I haven't answered your question, just rephrase it. Here's our breakdown of the 15.5 million increase. Seven, just let me, highway construction and maintenance is 7.9 million; winter maintenance .54 million; pavement, marking, and other road safety initiatives, 830,000; ferries, 100,000; and airport upgrades, 4.53 million. That should give you the total of 15.5.

**Mr. Elhard:** — Thank you, Mr. Minister. The deputy Highways critic just handed me a news release which I had on file and neglected to bring with me today, but in this news release of March 6 there is in this amount a warrant of \$2.2 million to Highways for improvements to northern airports.

And I guess what I would like you to tell me is that's obviously money over and above the budgeted amount we were talking about earlier, so can you explain where that additional money went?

**Hon. Mr. Sonntag:** — Those are all federal, those were all federal dollars, and it was a flow through. If you want, I'll just read into the record where they went: La Ronge, so it's the ACAP program for '99-00; La Ronge, engineering, 25,000; Stony Rapids, electrical, 54,000; Fond-du-Lac, surfacing 1,589,000; Fond-du-Lac, fencing 224,000; Fond-du-Lac electrical, a hundred and fifty-five thousand; Fond-du-Lac engineering, 21,000; Wollaston Lake surfacing, 459,000; Wollaston Lake engineering, 18,000; Uranium City grader, 275,000; Uranium City lighting and resizing, 763,000.

**Mr. Elhard:** — Thank you, Mr. Minister. Can you give us some background or explanation as to why all federal monies are earmarked for northern airports versus any of the other airports that serve the province from — let's say — Saskatoon south.

**Hon. Mr. Sonntag:** — Essentially, it's a federal program, and they determine which airports the money will go to.

**Mr. Elhard:** — In view of the increasing need for support, for runway renewal and some other improvement to southern airports, the examples of which have been brought to my attention by a number of communities, especially in the Cypress Hills constituency but others as well, do you anticipate at any point to being involved in financing projects of that nature in some of the southern airports?

**Hon. Mr. Sonntag:** — In terms of capital funding there's not any capital funding provided, we still provide the . . . I think it's

\$104,000 in operating grant money. However, most of these airports that are owned by municipal governments, they're certainly free to apply under the infrastructure. I guess probably there would be no reason why they couldn't qualify, some of them, for the Centenary Fund as well.

**Mr. Elhard:** — Would that be the provincial-municipal program you're talking about or is it an anticipated federal-provincial infrastructure program?

**Hon. Mr. Sonntag:** — The answer would be both.

**Mr. Elhard:** — Thank you, Mr. Chairman.

Over the last week or 10 days, the prospect of reverting roads to gravel has been a fairly contentious issue and maybe we could move into that area at this point, seeing it has considerable public appeal, if nothing else.

Mr. Minister, for the record, would you please describe for us the financial rationale for returning portions of TMS (thin membrane surface) roads to gravel. For example, what is the cost per kilometre to undertake such reversion and what is the maintenance cost of a reverted road on a per kilometre basis?

**Hon. Mr. Sonntag:** — While they're getting some of the numbers together, first of all let me say that primarily . . . and our number one rationale for this is safety. In many of the roads which are, by the way, very short sections of a thin membrane surface that have been converted back to gravel. As you will know some of them are parts of a kilometre, I think, to the longest one I've seen, I think, so far is about 15 kilometres.

Now if we wanted to reconstruct the thin membrane surface, they would really last my department tells me probably — with the traffic that they're having to bear now — probably a maximum of about three years. So really it doesn't make a lot of sense to spend a fair bit of money reconstructing a similar road surface.

So what we're really looking at is two decisions: either trying to maintain the thin membrane surface — I should say three decisions — thin membrane surface that will break up fairly quickly and is fairly costly; going to the gravel surface which is safer we think and which structurally does stand up; or go to a structural pavement which we're looking at, my understanding is, anywhere from 150,000 to \$250,000 per kilometre.

Obviously if we made that decision there would be very few kilometres of road that we could actually do. But I'll get the answer to the question in terms of gravel in just a second here.

I want the member to understand that these are . . . the numbers I'm going to give you are averages, because there'll be a huge variance — I shouldn't say huge — but there'll be a large variance depending on the area that you're in.

The cost to convert, on average, to gravel would be \$12,000 about per kilometre. The cost to reconstruct the thin membrane that many of these surfaces, when they've been converted to gravel, have come from is about 15 to 20,000 per kilometre. So not significantly more to go to, to reconstruct the thin membrane than to convert to gravel really. But here's the . . .

and I've given you the structural pavement — it's 150,000 to 250,000.

But here's where the real significant difference is. The cost of operating a gravel and a safe surface is somewhere between 1,500 to \$2,000 per kilometre per year. And what we . . . with the thin membrane surface that we're . . . right now we're spending up to \$8,000 for maintenance to try and hold them. And in many cases, even at that cost per kilometre and with the truck traffic that's on them, we're not able to hold those surfaces as you've pointed out to me on a number of occasions.

(1930)

**Mr. Elhard:** — Thank you, Mr. Minister. Mr. Chairman, I must be getting hard of hearing. Even with the aid of a hearing assistance, I didn't catch the last figure you gave concerning . . .

**An Hon. Member:** — Eight thousand.

**Mr. Elhard:** — Eight thousand, is that right? Okay, thank you. You did mention . . . you did mention in your comments earlier, the possibility of reconstructing a TMS road. I'd like to know precisely what you mean by reconstructing. Is that lifting the existing surface, reheating it and laying it down, or is there something else associated with that process?

**Hon. Mr. Sonntag:** — Yes we wouldn't . . . When I was using that number, we wouldn't actually pick that up and regrind it and put it back down again. What it really is, is clearing that right off and putting down the same type of surface that was there before which would cost us 15 to \$20,000. So it would be the same type of surface.

**Mr. Elhard:** — Mr. Chairman, I'd like to ask now in view of the cost it takes to return a road to gravel, that's a capital investment in that road. How long do you anticipate recouping your costs given what you've perceive to be cheaper maintenance? How many years would it take you to recover your costs generally speaking?

**Hon. Mr. Sonntag:** — I want to remind the member again, Mr. Chairman, that our number one concern in all of this is safety. That's our first concern is safety. We want to be sure that when the public and when large trucks are travelling on these roads that they're doing it safely, so that's our number one issue — not the cost. But based on your question, somewhere between two and three years and we would have recovered that cost.

**Mr. Elhard:** — Excuse me, Mr. Chairman, Mr. Minister, I appreciate the concern for safety. I think that we all have that as a kind of a motivating factor when we make these decisions. But in the interests of safety, you've spent millions of dollars providing an exchange, an overpass and a turnout outside of the city here, and yet in the interests of safety we're reverting roads to gravel in the many of the areas of rural Saskatchewan. In some respects that won't seem equitable, I don't think, even to the most unfair-minded person.

**Hon. Mr. Sonntag:** — Well, I'm just going to make the point that I think the Premier made during question period today. The bulk of our budget goes to rural Saskatchewan. So while I understand the point that you're making, the majority of our

maintenance, preservation, construction, it all goes into rural Saskatchewan. I understand the concern by citizens that are affected by the conversion of gravel, but the bulk of our budget by far goes to rural Saskatchewan.

**Mr. Elhard:** — Mr. Chairman, earlier in the minister's comments he mentioned that he was giving me averages, and I appreciate that. It's pretty hard to be specific from road to road. But there are sometimes variables that come into play. Some roads may recover, you may recover your costs quicker than others. Could you give me an indication of what kind of variables might come into play in ascertaining what those averages are?

**Hon. Mr. Sonntag:** — Just before I answer that question, I've just been handed some statistics here as well. This is the Pasqua interchange you were just alluding to and I thought you might be interested in this. Obviously, I mean, the interchange is used not only by the residents of Regina; it's used by a good number of Saskatchewan residents, both urban and rural.

It actually has a fairly — in the interests of safety — it actually has a fairly high accident rate. The average number of accidents between 1990 . . . between 1988, I should say, and 1997 was 9 per year. There were 2 fatal accidents and 62 injuries over this period of time. And the number of accidents has been increasing, so that was the rationale for there.

And with the construction of that interchange, certainly we don't view that as — as a matter of fact, it's actually constructed outside of the city limits — but we don't view that as a capital construction . . . as capital construction for the city of Regina.

Some of the issues — getting back to your most . . . to your latter question — some of the factors that affect those variances I talked about earlier would, first of all, be the amount of truck traffic, the width and height of the existing roadbed, soil types, and certainly the environment, the amount of rainfall that we've had in the recent past.

**Mr. Elhard:** — Just as an aside, one of my colleagues asked me to ask you: in the construction of the Pasqua interchange, when you went to the expense of building the type of system you did there, would it not have been just as cost effective to go to a full cloverleaf because in the interests of safety, they said, some of those interests are not well-served with the current design?

**Hon. Mr. Sonntag:** — No it wouldn't. We don't believe it would have made sense to go to the full cloverleaf. It was the most economic design. It'll easily handle the traffic, we believe, even projecting into the future — even at the phenomenal growth rate that's taking place in Saskatchewan right now — for the next 25 years. And we thought if we used that design we could spend more money on roads in rural Saskatchewan.

**Mr. Elhard:** — Well I appreciate that, Mr. Minister. Mr. Chairman, I want to return to the TMS and gravel issue if I can. I understand that contracts have been let for some of the projects that the department has scheduled for this year already. And I'm wondering how many of those contracts are going to be undertaken by private firms, and how many projects of that type will be undertaken by the department itself?

**Hon. Mr. Sonntag:** — If I understand your question correctly, they would be all private contractors. We don't have that type of equipment to do the milling that you're describing.

**Mr. Elhard:** — Well then that kind of takes the wind out of my next question because I was going to ask which of those two options might be more cost-effective.

This year's anticipated projects for gravel conversions are in the range of 210 kilometres. And I'd like to know, for the record, what the determining factors were in making the decision to turn those specific roads back to gravel.

**Hon. Mr. Sonntag:** — You asked how we picked the . . . selected the pieces that go back, revert back to gravel. Really there's absolutely no plan about how we pick sections that go back to gravel.

Many of the sections I think that we've described that might possibly go back to gravel, two or three months ago it would have been our plan to hold those. And that's our objective from the department's perspective to hold those thin membrane surfaces actually as long as possible and forever if possible.

But they . . . some of those have broken up much quicker than we would have anticipated, and obviously by the fact that some of these are as short as 300 metres, 400 metres says that we haven't sort of laid out a plan to pick out sections that are 300 metres or 400 metres or a kilometre or five kilometres. They simply fail and we just can't simply hold them.

As an example, on Highway No. 18, the one that we've talked about quite a bit in the last week or so, there was a significant amount of money spent on that road in the last year . . . last year actually, in last year's budget, in trying to hold that thin membrane surface and it simply, the department couldn't do it any more. Another statistic or number you might be interested in is that we spent \$44 million in capital and maintenance on thin membrane surface roads in Saskatchewan.

**Mr. Elhard:** — Mr. Chairman, I'd like to follow this line of questioning with the minister because I would assume that when you look at a piece of highway you can decide whether or not you're going to change it back to gravel by the number of potholes there or the cost of the project or possibly the destination that can be reached via that stretch of road.

So I guess my question is going to be summed up by the following sort of indications. When you're looking at a piece of road, would you consider the economic impact of reverting that stretch of road back to gravel? Would you look at it vis-à-vis the communities that are affected or the destinations, such as a tourist area or tourist-related facilities? Would those be considered in your equation at all? Because I think what we're hearing from a lot of the people who are most adversely affected is not an issue of convenience but a real issue of economics, from their standpoint.

(1945)

**Hon. Mr. Sonntag:** — We take everything into consideration really when doing this and when taking a section of road then and putting it back to gravel. There would be . . . We're trying

to think of a circumstance where this hadn't occurred, but I don't think that is the case.

We would almost always — I can say probably always — I don't want to say with 100 per cent assurance because sure as heck somebody's going to say you didn't talk to us about this, but we are of the view that in every case we've talked to local government, to describe to them what we're planning to do in that area, if it includes some reversion back to gravel. Now they might not be in agreement with it, but that's . . . we've always, as far as we know, have had the discussion.

Very simply, we try to consider everything before we make the decision as to whether to revert to gravel or not. And it's simply a matter of the amount of money that we have available within the department to spend on highways.

If we decide, as an example, to pick one section of road and hold it as a thin membrane surface or as a structural paved surface, then that . . . and if it's in severe disrepair, that would mean therefore, obviously, that we'll have to pick some other parts of the province that probably we won't be able to hold.

So we try to take the amount of dollars that we have and spend them in the most judicious way that we possibly can.

**Mr. Elhard:** — Mr. Chairman, I appreciate the limitations on your budget, departmentally, but when you're looking at the economic impact of roads, I think more than the Department of Highway's budget has to be taken into consideration.

If you make the failure of a business a result of not looking after the road properly, or if there is a tourist destination, and I'm referring more specifically now to a golf course that was featured on the news just recently, if you make that particular place non-viable because patrons can't reach it safely, there is an economic impact that doesn't necessarily reflect in your budget. Your budget is limited to the circumstances that you have to deal with.

But the overall effect, the overall economic effect of the downturn in business at any of those establishments that are served by that road, have a very negative cumulative effect on the economic well-being of that particular area, and maybe in terms of the provinces well-being too.

So I guess I would like to see the Department of Highways, when they make these kind of determinations, take a broader view — not just what they can afford to do, but what is necessary for the good of the province in terms of those kind of decisions.

Maybe we can just move on to another . . . I think maybe the ice cream truck has arrived. Is that what's happening here? Maybe we could move on to another area.

How much of the traffic count, numbers, are taken into consideration? Is that ever part of the determination when a certain section of road is planned to go back to gravel?

**Hon. Mr. Sonntag:** — I was negligent I think in the last answer by not raising as well that we do a lot of work with the area transportation planning committees who identify many of the

priorities that you've been asking about. They've been very helpful to the department in that regard.

Absolutely, we look at traffic counts. Especially we look at how much commercial traffic is on those roads. As an example, if there would be a low, large truck traffic count; and high vehicle, small vehicle or private vehicle traffic count as opposed to large trucks; we would probably try and hold that thin membrane surface much longer and likely it's not going to see as much disrepair. But absolutely, we consider the amount and volume of traffic.

**Mr. Elhard:** — Mr. Chairman, I'd like to address this question as a supplement to the previous one. When doing traffic counts, how are sites selected for the placement of these traffic counts? And the reason I'm asking that question is that it's been suggested to me in several instances that counters were actually placed in such a position as to minimize the count that would be obtained on a given stretch of highway.

The question I suppose secondarily is, have department personnel been instructed to make efforts to place the counters at points where the traffic count would be less than normally expected?

**Hon. Mr. Sonntag:** — Mr. Chair, may I have leave to introduce guests before I answer the question?

Leave granted.

#### INTRODUCTION OF GUESTS

**Hon. Mr. Sonntag:** — Mr. Speaker, I'll let the members opposite guess who's asked me to make this introduction. I'd like to introduce to the members of the Assembly seated in the Speaker's gallery, Matthew Lingenfelter, who's sitting up there visiting us this evening. So if people would join me in welcoming Matthew to the Assembly this evening.

**Hon. Members:** Hear, hear!

#### COMMITTEE OF FINANCE

##### General Revenue Fund Highways and Transportation Vote 16

##### Subvote (HI01)

**Hon. Mr. Sonntag:** — To answer the question regarding traffic counts we believe that absolutely that the numbers that we're getting are accurate. As a matter of fact, the department argued that we actually strategically place them to get as accurate a count as we possibly can.

The way the department describes it for me is that most of the roads that they put them on are . . . the way we describe them is closed loops so that we put them in a section so that if they enter one section of road they have to go over the counter before exiting. So we would do our very best to get as accurate a count as we possibly can.

**Mr. Elhard:** — Thank you, Mr. Minister. Mr. Chairman, I think

that there are people who would disagree with that assertion frankly, and I have some specific examples I would be happy to share with you and the department at a later date.

I'd like to ask now though, now that you've described the traffic count and the accuracy that you hope to attain with those traffic counters, are those figures that you gather, are they subject to audit at all or review or challenge by municipal authorities or the public at large?

**Hon. Mr. Sonntag:** — First of all, Mr. Chair, if I could say to the member, if he is aware of situations where he thinks a traffic counter is inappropriately placed or he knows of somebody who thinks it is, we would really encourage him or others to let us know about those because truthfully we really do want to find the spots that most accurately reflect the actual traffic count.

Are we subject to challenge on those actual numbers? Apparently we are, and we would encourage you to challenge us on those numbers as well. But again, this is really, I am told, a very well-established science. We use a methodology that is accepted internationally in the placement of these traffic counters and that goes back some 30 to 40 years in North America, and any government, whether it's our government or other governments, over the last 30 to 40 years in Saskatchewan have determined that this is the most accurate methodology to get accurate vehicle counts.

**Mr. Elhard:** — Mr. Chairman, I will provide that information to the department at my earliest convenience.

We're rapidly running out of time, but I noticed that coming up very soon, in Saskatoon, June 18 to 22, is the sixth international symposium on heavy vehicle weights and dimensions. I think that there should be some valuable information coming out of this symposium that could be applied directly to our provincial situation and some of these roads that we've talked about.

What I want to know though is . . . I understand that this is being sponsored — at least in part — by the Department of Highways and Transportation. Can you tell me what kind of investment the people of Saskatchewan have in the conference?

**Hon. Mr. Sonntag:** — We can get back to you with the actual number, but right now we're actually anticipated to make some money as opposed to costing money for the taxpayers. There's been a lot of interest, we understand. I think it would be safe to say that even if it would cost the taxpayers of Saskatchewan a little bit to put this symposium on — which it won't — this is an issue that so affects the province of Saskatchewan that I think we really do need to do a lot more study than we have. We've done a lot of study on it, but this is something that we can get . . . that as much information as we can possibly get is really important for us.

So right now we are of the view that there will be . . . the province will actually make some money on this, and we'll provide that actual number to you when we have that, if that's okay with you.

**Mr. Toth:** — Thank you, Mr. Chair. Mr. Minister, just coming back to turning highways back to gravel . . . over the weekend, that's all I heard. That's all the debate I heard . . . was on some

sections and especially in my area. For example, No. 47, just south of the No. 1 Highway, yesterday morning, I took that piece of road, travelling to an event in the Wolseley area. And I'm not exactly sure you can say that turning that piece, the piece of highway, back to gravel is making it safer.

I found while the crews were out there trying to level the road off, the roadbed obviously was quite soft, and it was very difficult driving on that specific section of the road that was already reconverted to gravel versus areas of the road that had a number of potholes that I had the . . . at least I could dodge and I had something firm to travel on.

And, Mr. Minister, there's certainly concern that parts of No. 48 that were discussed last time I believe, and I'm not sure, but I'm wondering if you could confirm whether or not some of the sections of 48 are going to be turned back to gravel?

But I would have to question the safety factor of converting some of these highways back to gravel. And I wonder if you can give me an update of sections in the southeast that you're looking at right now and whether or not you're rethinking some of the suggestions that we convert this to gravel.

Because I can tell you that the constituents in my area, and even certainly in my colleague's area, are not very pleased to hear the fact that some of those roads may be indeed turned to gravel.

**Hon. Mr. Sonntag:** — The member from Moosomin is actually I think making my point about safety. The road that you're describing, Highway No. 47, my deputy and assistant . . . or associate deputy I should say, have just driven that in the last two weeks. And they say that that road actually has not been reverted at all yet. There's been no milling taking place on there. So what you're really seeing is you're seeing a surface that is badly broken up with intermittent sections of gravel. So there's . . . that road has not been milled at all yet.

Once that road is milled, as they describe it — it will from our viewpoint or our perspective, I should say — will be a much safer road than you've currently driven on just yesterday as I understand it.

With respect to other sections of road, we handed out a document to the press on Friday I think it was, describing possible road . . . small sections of road that could go back to gravel. We can provide that for you. That lists the ones, if you don't have it. Okay?

**Mr. Toth:** — Mr. Chair, one further question to the minister. Mr. Minister, you're saying that you haven't turned that back to gravel, that is just the way the road is crumbling up.

When I drove . . . I believe it's about six or seven kilometres that looked like it been turned exactly to gravel. There's nothing but gravel on it. They were up and down grading the road just as if it was a grid road. And that road was so soft that the vehicle just didn't want to go a straight line on it, and it just appeared to me that that's been gravel all along. And I'm not exactly sure where . . . just south of the No. 1, exactly south of the No. 1, about the first six or seven kilometres. And it seemed to me that that's been gravel for a little while now. It didn't have any broken sections of pavement in it. So just a

clarification on that.

**Hon. Mr. Sonntag:** — I'm told that once the road is entirely milled, even the sections you're describing as gravel roads will actually be improved. They'll actually mix in more gravel and mill it up better so that it will be better than what you're driving over right now.

**Mr. D'Autremont:** — Thank you, Mr. Chairman. Mr. Minister, I think what you're talking about here is known as NDP (New Democratic Party) neglect and natural disintegration, because that's what's happening to our highways. You have been neglecting them now for the last eight years. You dropped the budget down to 164 million, then you promised that you'd put in \$2.5 billion over 10 years. This is the first year in that program which has been running now the fourth year. This is the first time you have met your commitment.

If you'd made your commitment in the other years, maybe we wouldn't be into this position where you're now proposing to gravel a good portion of the highways in Saskatchewan.

These highways, Mr. Minister, are not just transport systems to haul grain out which seems to be what your colleagues keep saying all the time. It also brings supplies in, Mr. Speaker. It's the groceries and the furniture and the fuel supplies for the communities across this province.

Without all-weather roads which you're taking away from them by reverting back to gravel, these communities are in that much more danger of disappearing, just like your highways.

The Minister of Economic Development likes to talk about tourism. Well tourism in this province will simply dry up and cease to exist if people can't get from the borders into our tourist locations.

I was down at Sherwood, North Dakota a couple of weeks ago. The number one question people were asking me about No. 8 Highway, is when are you going to fix the highway because they simply cannot drive over it. They drive up two miles and turn off on to a grid road . . . the people that have to drive that direction. The tourists don't have to. They don't like our highways, and they don't like our fuel taxes, and they're avoiding Saskatchewan.

Now you like to blame the feds for it all. But you, Mr. Minister, have been part of this government for the last nine years. And while you hate to take any responsibility for what's happening, I wouldn't want to take responsibility for what the member from Rosetown did, Bernie Wiens when he was in here, and he had the original proposal to turn it back to gravel.

I wouldn't want to take the responsibility for what the member from Yorkton did to the highways. But you're the Minister of Highways now, and that responsibility lies on you.

Now what have you been doing as the Minister of Highways in talking to the Minister of Finance in getting money that's needed to fix our highways to make it so that commerce can happen in this province, so that the tourists can visit us, so that people could come back into this province and visit their

families.

You have failed in that area, Mr. Minister. You have failed the people of Saskatchewan in providing proper transportation. Now what is your answer? Why have you failed them?

**Hon. Mr. Sonntag:** — Thank you, Mr. Speaker . . . Mr. Chair, I should say. Well first of all, Mr. Chair, part of the way we address the concerns that the member raised is by having the highest Highways budget in . . . Highways and Transportation budget, I should say, in Saskatchewan's history of \$250 million — an increase of 6.6 per cent.

This government, our government, has expended 922 million — you talked about our commitment — \$922 million over the past four years, and with just modest increases, we will easily reach the \$2.5 billion commitment that we made.

Just to run through, from 1997 to 1998, we saw 17.8 per cent increase; '98-99, there was a 10 per cent increase; from '99 to last year or to the year 2000, March 31, 2000, there was a 7.2 per cent increase; and then this year, a 6.6 increase. Since '96-97, that's an increase overall in our budget of 48.1 per cent or \$81.6 million.

Just as an aside, the Canadian Automobile Association annual report says the following, and I quote, it says:

If the government continues to increase the annual Highways budget at the same rate it has for the past few years, it will fulfil the 10-year, \$2.5 billion commitment.

Now we acknowledge, and we have always acknowledged, Mr. Chair, that this amount of money is not . . .

**An Hon. Member:** — Adequate.

**Hon. Mr. Sonntag:** — Is not adequate — he's right — to sustain the system that currently exists with the change in traffic patterns that have taken place in the last few years.

We have always argued, as we've done recently and I know even members opposite have argued, that we need the federal government and their treasury to assist the province in transportation in Saskatchewan, and to that point we agree with them.

**Hon. Mr. Van Mulligen:** — Mr. Chair, I move we report progress.

#### **General Revenue Fund Municipal Affairs, Culture and Housing Vote 24**

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

**Hon. Mr. Serby:** — Thank you very much, Mr. Chair. This evening I have with me a number of officials. Seated to my right is Mr. Ken Pontikes, who's the deputy minister of Municipal Affairs, Culture and Housing. Next to him is Mr. Peter Hoffmann, who's the assistant deputy minister of Housing. Behind Mr. Pontikes is John Edwards, who's the

executive director of program and policy. Behind me is Larry Chaykowski, who's the executive director of finance. Seated next to Larry is Lana Grosse, who's the executive director of protection emergency services. Directly beside me is Mr. Doug Morcom, who's the director of grants administration, and next to him is Joy Campbell, who's the acting provincial librarian. Those are my officials with me this evening.

#### Subvote (MG01)

**Mr. Bjornerud:** — Thank you, Mr. Chair, and welcome, Mr. Minister, to your officials here tonight. A number of us have questions tonight, Mr. Minister, so I'll get right into it.

Mr. Minister, when we left off last time, I couldn't remember if we had asked you the cost, and at that time it was even out, of Price Waterhouse, the work that PricewaterhouseCoopers did for your department. Could you give us the figure that cost?

**Hon. Mr. Serby:** — The cost of the Price Waterhouse work was \$91,000.

**Mr. Bjornerud:** — Thank you, Mr. Minister. Well, Mr. Minister, now if we start to total up the fee just goes higher and higher. I believe Mr. Garcea was 750,000, Mr. Stabler and Ms. Olfert were 100,000, and now we got another 91,000. In hindsight, Mr. Minister, wouldn't it have been easier to get somebody like Mr. Garcea to do this whole study, let him have the freedom to find out what he could find out there, and come back and report to you. Wouldn't that have been a lot cheaper than spending, right now we're closing in on a million dollars, and really to this point we've really got nowhere, Mr. Minister.

**Hon. Mr. Serby:** — Well, Mr. Chair, to the member from Saltcoats. It would be, I think, an interesting thought if we were to suggest today that Mr. Garcea would do all the work, because as you know, Mr. Garcea and his committee had a fairly warm reception across, particularly, rural Saskatchewan — of which a number of your members were concerned about Mr. Garcea doing any work at all. So for you to suggest this evening that Mr. Garcea should do the whole piece of work is an interesting sort of switch.

I think what's important here, of course, is that Mr. Garcea's . . . Mr. Garcea's task was far different than what the task of both Ms. Olfert and Mr. Stabler were as well as the task of the Price Waterhouse review of the cost-benefit analysis numbers was far different.

So you have here three pieces of work that were conducted by three different groups of people to provide a different analysis and understanding of the kinds of requirements that we could look at, I think, as municipal leaders at the round table to try and ascertain what direction we might go in as we talk about renewals in the province.

(2015)

**Mr. Bjornerud:** — Well thank you, Mr. Minister, but I guess — and you know my opinion of what I thought of what Mr. Stabler or Mr. Garcea originally came out with before he went to the public this last time — but I will give Mr. Garcea the benefit of the doubt. At least he went out to the public, talked to

the public, and whether we feel that he reported back honestly on what he heard or not really doesn't matter because he was out there and met with the public, where I don't believe Mr. Stabler or Ms. Olfert did. I don't think they had any indication from the public that I saw at all.

This was probably a preconceived view, especially of Mr. Stabler. I've heard this man say this same type of thing for the last number of years; that I've heard of Mr. Stabler as a professor and talking on this subject. I think his view was predetermined before you ever contacted him, you ever paid him the \$100,000, and I think you knew that when you actually paid him the \$100,000 what kind of an opinion you were going to get out of this man and this lady.

Mr. Minister, when I look at the Price Waterhouse review and the audit they did, I'm almost tempted to call you the minister of assumptions instead of the Minister of Municipal Government, because this whole thing is built on assumptions created by your department. And Price Waterhouse, I believe, did a fine job of what they were given to work on with the numbers and assumptions. And most of the numbers are assumptions, Mr. Minister. You have to, I think, agree with that.

So really what we come out with here is an assumption that we would save all this money out there, especially in rural Saskatchewan, whether it be RMs (rural municipality), towns, or whatever, by doing away with their council and making this glorified board that you keep talking about. Where we remove all autonomy from rural Saskatchewan, resembling somewhat the health districts that you were very familiar with, Mr. Minister, because I believe at one point you were minister of Health.

And we're told to believe now that there's a big money saving by creating these monster boards because the bureaucrats will be less, they will be more efficient, they will be less costly. Well if the Department of Health is any example, Mr. Minister, that's totally the opposite of what happened.

What we saw were boards that were next thing to volunteer, replaced by health boards that are paid very adequately for going to meetings. But every time we turn around within the health districts, we're getting reports on these new little name tags within the health departments that jobs are created all over the place. The bureaucrats are multiplying like — for lack of a better expression — rats. All over the place we're getting more of them, and these are not cheap people, Mr. Minister.

And now you're trying to lead us to believe that to do this with Municipal Government will make it: (1) cheaper; (2) more efficient. Which you didn't give Mr. Garcea the mandate to go out and find out anything about either of them, because we've had to spend more money on that.

So, Mr. Minister, by all these assumptions, why should anybody out in rural Saskatchewan, after they've saw what happened in health care, believe what you're trying to sell them today?

**Hon. Mr. Serby:** — Well, Mr. Chair, I just want to say to the member from Saltcoats, that first of all I want to respond to your comment about Mr. Stabler and Ms. Olfert.



Both of these people have done work in this province for now better than 30 years. And they've criss-crossed this province several times over, doing research work not only for Municipal Affairs as it relates to this particular subject area, but they've done work for economic development authorities across the province. They do work for tourism authorities across the province. They do major, major presentations across the country about demographic trends.

And so I have to say to you, sir, that I am quite convinced that both Dr. Stabler and Ms. Olfert have a solid and sound reputation of their understanding about what's happening in Saskatchewan over the years. And their work is very well documented. And there are few people, I would suggest to you, who haven't had an opportunity to meet and discuss with them around a number of issues.

But I want to go on to say to you that we should keep in mind that the work that's been done by the three groups of people who have done evaluation of municipal renewal in the province, had a very different task.

The Garcea committee's task was to look at legislative renewal, legislative reform, what kinds of legislation should we be crafting in the province today to give municipalities greater authority, autonomy, greater access to the resource base. That was their job.

And in their wisdom and in their work, as they went around the province they said — which created a great deal of anxiety for a lot of people, including you and I — is that they came back with the statement that said that we need to reduce the number of municipalities from the current numbers to something less than 125. And that was where the stir began, as you and I both know.

And the information that Garcea and his committee garnered was that before you can give greater responsibilities, legislative authority, you in fact should look at changing the structure — didn't say what the structure should look like, you just said you should change the structure.

Now very specifically, what Dr. Stabler talked about, and Ms. Olfert, is that if you were going to reconstruct the province, if you were going to do that in a different fashion and you were to have fewer municipalities, he talked about 11 or 17 economic regions. And he bases his 11 and 17 economic regions based on the demographic trends of this province over a period of 50 years, of which he's been studying for 30.

And it's no secret for us. In fact on the 6 o'clock news tonight, we could see the report of what's happened in Saskatchewan today in terms of the number of farms and what's happened to rural Saskatchewan communities.

So when Stabler based his model, he based it on there being 17 or 18 . . . or 11 or 17 economic regions in the province. He didn't say that you would have 17 municipalities or 11 municipalities. He said that's how many economic regions you'd have in the province.

And for the first time in this province in over 50 years where you've been studying municipal reform, you have somebody

who put forward a model. Now are we married to that model or am I married to that model? The answer is that I'm not and neither is this government. But this is the first occasion that we get an opportunity to take a look at something that will resemble something different than what we have today.

Is it the right model? Well at the round table, we're not convinced it's the right model. And at the round table, we say we're going to examine other models as they come forward over the next little while. And we'll do a cost-benefit analysis on those as well.

But to date there hasn't been any model that's ever presented itself, other than this one, that gives us an opportunity to examine whether or not there are efficiencies that we can find in restructured municipalities. And based on this model, the analysis shows that there could be as much as \$29 million in savings in administration and governance. That's what it says.

And those numbers have been verified by, in fact, Price Waterhouse. And those numbers aren't ones that we sort of drew out of the air and said this is the numbers we're going to use. They all come out of the audited financial statements of all of those municipalities of which we drew the conclusions around. So that's whose numbers they are; they're the municipal numbers, which have all been audited by individual auditors. So I say to the member opposite, this is not rocket science. This is simply taking a model that they've in fact . . . that's been provided in the province, the only one. Taking the analysis of each of the municipalities across the province and then putting them into the kind of framework that we have today.

Is it the most appropriate model? I can't answer that. Are there other models that we should be looking at? Absolutely there should be. Are there going to be other models that will make their way to the municipal round table in the future? I would say there're going to be. And we'll continue to work collectively at the round table to see what kind of renewal we can advance. And renewal is about efficiency, effectiveness, new legislation, that's what the discussion's going to be about.

**Mr. Bjornerud:** — Well thank you, Mr. Minister. And I guess I could respond here for 20 minutes disagreeing with a lot of the things you said, and I won't bother because for a shortage of time tonight.

I'd like to get right into though, some of the assumptions that you made to come up with this \$29 million. And I'd like to start off with expenditures and some of the things that you have come up with in this Price Waterhouse paper. It talks here about wages, and I'll just quote it so that you know what I'm talking about. It says:

Net of service enhancements for each district, estimates in the mix of employees and salary levels were made to determine the projected salaries after amalgamation.

Mr. Minister, in your assumptions did you take into consideration that this was a good possibility that these jobs, which are not unionized now, would very likely be in the future. Was that taken into consideration? And the value that those jobs would cost compared to what they cost now.

**Hon. Mr. Serby:** — No, we did not, because what we were doing was really comparing the people who were in the workforce today with what we would see in the workforce in the future.

**Mr. Bjornerud:** — Thank you, Mr. Minister, for your honesty. Because I believe, and as you well know as I do, that people such as grader operators right now out there for RMs, number one, in most cases, I don't know of any in fact that get paid overtime. You might work 14 hours a day in the summertime on straight time right through. And that's a tremendous benefit to the local taxpayer out there . . .

**The Deputy Chair:** — Excuse me. Why is the member on his feet?

**Mr. Harper:** — To ask leave to introduce a guest?

Leave granted.

### INTRODUCTION OF GUESTS

**Mr. Harper:** — Thank you, Mr. Chair, and thank you colleagues. I would like to introduce to the House a former member of this House, Mr. Rod Gardner, who was the MLA (Member of the Legislative Assembly) for the Pelly constituency from 1986 to 1991 and served with great distinction. I'll ask all the members to offer him a very warm welcome.

**Hon. Members:** Hear, hear!

**Mr. Bjornerud:** — Thank you, Mr. Chair. Mr. Chair, while I'm on my feet if I could have leave also to introduce guests.

Leave granted.

**Mr. Bjornerud:** — Thank you, Mr. Chair, I'd also like to join with the member opposite to welcome here tonight one of my constituents, a very successful small businessman in the town of Kamsack, a farmer in that area, and actually he's turned into a very good friend of mind. So I'd like to welcome Rod Gardner also here tonight.

**Hon. Members:** Hear, hear!

### COMMITTEE OF FINANCE

#### General Revenue Fund Municipal Affairs, Culture and Housing Vote 24

#### Subvote (MG01)

**Mr. Bjornerud:** — Thank you, Mr. Chair. Mr. Minister, we talked about and I was talking about grader operators being on straight time instead of overtime and all these things, and we talked about these jobs being non-unionized now. And I think in all fairness they may well be unionized in the future what . . . I think would be a great cost to the local taxpayer out there, and we go through all these things.

Mr. Minister, in this breakdown did you do an actual council

remuneration average throughout the province? And let's start with rural municipalities. What would the average reeve make in a year, and what would the average councillor's remuneration be? And I'm not talking expenses, I'm talking remuneration.

**Hon. Mr. Serby:** — What we did is we use the actual numbers. Rather than doing averaging, we actually use the actual numbers out of the annual statements.

**Mr. Bjornerud:** — Thank you, Mr. Minister. By actual numbers, do you mean you picked out a specific area and took the actual numbers out of that area? Or you took all the . . . say all the Reeves in the province, you still should have come up with an average, Mr. Minister. Did you not come up with some kind of a number out there because I think this is a big bone of contention with where a lot of the money savings are supposed to be.

And I, for one, don't believe for a minute that there's a money savings there because I've been a councillor and I've been a reeve, Mr. Minister, and a lot of the work we did out there, whether it was 9 o'clock at night or 8 o'clock in the morning or whatever it was, we dropped our own work, went out and did that, and quite often you never even put in an indemnity bill for that work. You just went back to your farming or whatever, and went back to work.

So as far as there being this great saving there, I disagree with you, Mr. Minister. But I think a lot of people out there would like to actually know what the average is, say for a reeve and a councillor of a rural RM?

**Hon. Mr. Serby:** — Well what we did is that we took the four geographic regions that we had identified out of the 17 — which is the Kindersley one, the one around Yorkton, the one around Regina, and the one in the Moosomin area. And then we took every one of those actual administrative offices and the number of councillors — took actually every one of them — and said this is how much it cost to administer those.

What we would then do is take the largest number that was identified there, and then use that number as the one that we would be using for a new structure, a new system that would then be in place. If that's what you mean by the averaging piece, we would have actually taken the actual numbers, and then taken the largest number and applied it then to the new structure.

**Mr. Bjornerud:** — But I'm still not getting the answer that I'm looking for, Mr. Minister, and I believe you must know what I'm talking about here. And I think it would be of interest to many watching tonight because I know there's a number of RM and town people watching because they want to hear what your answers are to some of these questions because there's a lot of myths and misconceptions going on about what these bodies that you're thinking or proposing would actually do to rural Saskatchewan.

Is there no numbers you have to actually tell when you've gone through all this? Price Waterhouse went through all that and we don't have an average number of what the Reeves of this province actually cost and yet we're being told there's all this money to be saved.

(2030)

**Hon. Mr. Serby:** — Well we do have the actual costs of what each of the reeves in the province earn because they're all reported in the annual financial statements.

So when you ask me how it is that we arrive at the present model, what we've done here, as I've said to you already, is that we've taken the aggregate numbers of all of the reeves in the province and taken the aggregate numbers of what all of the municipal leaders in the province would be using and then use the largest number to provide us then with what you would apply if you were going to be going to a new municipal system in the province.

So that's the process in which we used.

**Mr. Bjornerud:** — Okay thank you, Mr. Minister. I guess I'm going to have to go a different route then.

What was the highest number say in the Yorkton model that you were thinking of proposing? What was the highest figure that you got of a reeve in that area?

**Hon. Mr. Serby:** — It would be around \$5,000 I'm told.

**Mr. Bjornerud:** — Thank you, Mr. Minister. That's what I was looking for. I would have projected that it was anywhere from four to six from being a past reeve so that fits right in with what I'm saying.

Now remember the councillors probably in most cases, I think of the RM that I was involved with, would probably be somewhere around half of that, of what the reeve got. And I guess, Mr. Minister, if we're going to be honest about this and I hope we are, you're replacing these people that I always believed to a degree does a lot of volunteer work out there and certainly doesn't get paid number one, for their time; number one for the loss of time they spend on their own businesses, mostly farming. We're getting a lot of free work and a lot of expertise out of these people and for one reason — because they care.

Now we're going to take and we're going to replace these people with bureaucrats, for lack of a better word because that's what we're replacing them, Mr. Minister. And I would suggest in many cases who really won't care and won't be as dedicated to what they're doing, won't drop everything after 5 o'clock at night and run out and unplug a culvert in the spring when it's flooding, like farmers do when they climb off their tractors to run and do this, run back and jump on their tractors.

I think we're playing with danger here, Mr. Minister, because once again as we did in health care, we're losing the local touch, the care that these people put into the jobs — and they're not there for the money, you just admitted that. And I confirm that, Mr. Minister, I think you're right, they aren't there for the money, they're there because they're interested in their communities surviving, and we now flip this RM picture over to the town picture and it's exactly the same picture, only now we're in an urban setting.

And I think why the backlash you've received over this forced

amalgamation is so much more than I think you even dreamt would be out there, is because number one you're changing our whole way of life in rural Saskatchewan by suggesting what you would like to see down the road. What Mr. Stabler would like to see down the road, was what Mr. Garcea has said that he actually proposes down the road.

This is nothing small to people in rural Saskatchewan — this is the biggest thing that they've had suggested to them for many, many years that I can ever remember that I've been out there.

And why they're not taking it lightly is because I think we're losing our highways out there, they're going back to gravel; we're losing our hospitals, we saw a number of them being lost, Mr. Minister, in fact since your government has come to power I believe it's like 54 hospitals. Mr. Minister, in the last two years I've lost two of my schools, in fact three of my schools, I'm losing another one next year.

So forgive people in rural Saskatchewan when some big model comes up and they really get nervous about all these changes being better for them.

Mr. Minister, you know as well as I do that these people are hard-working people out there. And the thing that we keep forgetting in this is the cost saving you're talking about is not your government's money but local taxpayers' money to pay for local administration. And I find this amazing, Mr. Minister. Like the lady — and I repeated once before — said, we didn't have a problem out there until you people invented it.

Mr. Minister, I could keep going on and on in here. I just want to go into some of the revenue side that you talked about. And I need an explanation, Mr. Minister, on part so I understand what you're talking about here; and under revenues it's got tax savings, projected tax savings, would result in the following, net expenditure savings.

Mr. Minister, could you just give me a quick, short explanation of that so I understand what we're talking here?

**Hon. Mr. Serby:** — I want to say to the member opposite, because I think it's important to realize that we on this side of the House . . . And certainly I understand the kind of work that municipal councillors and reeves do across the province. I don't think there's any question about that.

But I think when you take a look at the models . . . and you can answer this for yourself and Saskatchewan people who are watching can answer this for themselves as well. In this House we've debated on many, many occasions the cost of health care, if you use that example because you've gone there a number of times, and you've indicated how in fact we have too much administration in health care. And you've been someone who's said that many times over, that what we need to do is that we can find efficiencies in the health care system if we just reduce the administration. And there may be some value to that kind of debate today in the health care system.

But for you then to stand up and then say that in the province where we have municipal levels of government today, councillors and administrators and reeves, in that very area that you talk about, which is the one that you and I come from, there

are 240 councillors who serve that particular, geographical area.

Now maybe that's a sufficient number of men and women to do the job there. Maybe it is. And maybe to do that work in that particular area today we need to have probably two dozen administrators who live eight miles apart from each other to do the work because you and I both know in the area that I work on my farm with, I pay taxes to two municipalities that are eight miles away from my farm, and I'm two miles away from a town. And most of these people today are earning somewhere in the neighbourhood of 40 to \$45,000.

And so I think that we could certainly ask the question, at least it would be important for us to ask the question whether or not in the municipal structure today there are some efficiencies that could be found by providing a different kind of a model or structure, and that's all I'm saying to you is that we need to examine that whole piece because I think if we say that there's too much administration in government, then I think that also has to apply for our friends who do work today in the municipal side as well.

And I don't think that they're disputing that. They're saying to us at the round table that we need to examine that, and so today we're examining that piece as well.

And I hope that you're not saying to me that the structure today in municipal side doesn't have too much administration. I'm not hearing you say that, but I would be interested in your comment if you're going to be making one in that respect.

I say to you that in terms of net, what we did of course is we grew some of the other sides where we think there needs to be enhancements in the area of economic development, in the areas of community planning, in the areas of public service. We added more money to that side because we think that there should be additional revenues that are put into that side so that municipalities out there in Saskatchewanville would be able to provide stronger municipal services, greater fire protection services, greater public safety, and so we added additional monies to those areas to ensure that we can strengthen them. And so after we did that, this would be the net figure that we would then arrive at. And that's how the net was attained.

**Mr. Bjornerud:** — Thank you, Mr. Minister. Mr. Minister I'm just going to touch on one thing you said there. You talked about . . . I keep saying about the health care of the administration growing and growing. Well I don't think that's a fair comparison because in 1991 when you came to power, Mr. Minister, RMs and towns have been cut in funding drastically from what they were then to what they are now. Administration had no chance to grow out there because I know from experience we cut every corner we possibly could because we had nowhere to pass the buck to but the local taxpayer.

Health districts were totally different, Mr. Minister. They weren't actually dealing with the local public, they were looking at government for funding. And I guess an audit in the health care system would prove either you're right, Mr. Minister, or I'm right. I think what we're saying is we'd like to see that audit happen to actually find out who's right and see if we are wasting dollars on administration. At that point you could turn to me and say, Mr. Member, you are wrong or you

might have to turn to me and say, Mr. Member, you were very right.

Mr. Minister, you also say here . . . you talk about the increase in potash tax sharing revenue. And I'm kind of wonder where you're getting the increase in that all of a sudden because we have large municipal districts, where that extra potash money would be coming from?

**Hon. Mr. Serby:** — The way in which the potash revenue sharing is today is that it crosses the boundaries of the districts. What the model suggests is what would happen is that it would be incorporated only within the boundaries of the new municipal districts, is what the model is suggesting could happen.

**Mr. Bjornerud:** — Thank you, Mr. Minister. But if I'm getting this right, there actually would be no real increase in potash-sharing dollars. The same dollars would be used, just go to a different area?

**Hon. Mr. Serby:** — That's correct. It would just be redistributed.

**Mr. Bjornerud:** — Thank you, Mr. Minister. Mr. Minister, another question that I have is that you've gone to all this trouble to draw this all up. Could you tell me where the capital fund and the surpluses and the reserves would go for each RM then, when these big districts were made? Because as you know as well as I do, some RMs have worked very hard to build up a reserve. They put money in capital funds and they have surpluses built up and some don't. Where would this money disappear to?

**Hon. Mr. Serby:** — It would stay within the district. It wouldn't disappear anywhere. Stay within the district is where it would remain.

**Mr. Bjornerud:** — Correct me, Mr. Minister. Am I understanding you to say it would stay within the local area that that RM was originally, or all that would be lumped into the new district municipal area?

**Hon. Mr. Serby:** — At the round table, as you may or may not be aware, one of the discussions that we had, of course, is what in fact would you do with the revenues? How would you share the debt? For example, what would you do with the grants in lieu, what would you do with the revenue-sharing fees?

And the discussion that we arrived at is that there is the thinking here . . . and we're going to test it of course over the next couple of weeks at the regional meetings with each of the councillors who attend the regional meetings across the province to see whether or not those decisions can be left to agreement within the new districts, or within the new regions. It's our view that . . . initially it's our view that they would remain within that larger body of the new consolidated region.

And then by agreement, municipalities would decide what portion of that revenue might be shared with the larger district, what portion of the debt might be shared with the larger district, what kinds of responsibilities the province might have, because there's going to be some discussion of course around the whole

issue of liability. As you know, there are orphan sites across the province of which we're going to have to have that kind of discussion, and contaminated sites.

There's going to need to be some discussion around what happens with waste management systems, because as you know there are a number of small municipalities today where waste management systems are in some difficulty and we need to discuss that.

Now who inherits that particular debt, not only the asset but also the debt? And what role is there going to be then for the province to play in that particular instance and what role do the municipalities play in that particular instance? So it's my view, and I think the view of the round table as of this morning, that this discussion would be better I think served first by having it at the regional level and then applying through agreement, you know, how in fact we might be able to share some of those responsibilities.

**Mr. Bjornerud:** — Thank you, Mr. Minister. I can see, Mr. Minister, a number of RMs out there really shaking their heads tonight that have worked very hard to build some of these counts up. And as you know as well as I do, in years past agriculture is not near what it was say in the '70s, but every one of us tried to have a year's grain in the bin or a year's money in the bank to carry us for a bad year.

And I think I know from my experience with RMs, a lot of them tried to have the same thing, either in surplus reserve or whatever, built up. And through that good management, some of them have done that. And others, through no fault of their own, haven't been able to do that, Mr. Minister. But I can see RMs out there now really regretting that they, to a degree, taxed people to build that reserve up, and now it's all going to be thrown in the big pot. I don't think that some of these RMs' taxpayers and councils are going to be very happy.

Mr. Minister, when you put this together . . . and if I understood right, we talked about a representative for every 4,000 or 5,000 people. What value did you put on that employee? What cost did you put along with that employee that would replace the local people?

**Hon. Mr. Serby:** — What's important to recognize here is that this particular model that we're talking about this evening is one that comes out of some discussion around what Mr. Stabler and Ms. Olfert suggested might be a possibility.

I think we should be careful here this evening to make it clear that this is not the government's model. And I've heard you on a number of occasions throughout this evening say that this is the direction in which the government has decided that it's going to be moving on and that the folks who might be watching tonight, which are reeves or councillors, are going to be quaking in their shoes because what's happening here is that there's going to be some kind of an initiation of a plan.

2045

And I say to you very distinctly and very clearly that today, as of 1 o'clock this afternoon, SUMA (Saskatchewan Urban Municipalities Association) and SARM (Saskatchewan

Association of Rural Municipalities) and we came away from a very, very productive round of five meetings at the round table, of which it was explicitly stated over and over again the decision making around what's going to happen with municipal reform in this province will be very much that of the municipal round table and the membership out there: the municipal leaders and those of us who serve today at the round table. That's where in fact the direction of where we're going to go in the future is going to be.

And so there is no decision at all about how in fact we're going to be structuring the province in the future, but there's going to be a discussion about what we need to do in this province. That's going to be the discussion.

**Mr. Bjornerud:** — Well thank you, Mr. Minister, for dancing around the question I asked you. The question was, is what would these people be paid? What would their annual . . . you must have had a hypothetical situation. We call this the project of assumptions. There must have been an assumption that these people would cost 60,000 a year or 70,000 a year. What was that number, Mr. Minister, because really I'm starting to get a kind of a funny picture here. There's a number of these areas where you really never delved in and put actual figures to them. But yet when it come time to tell how much we could save, you put \$29 million on it.

What actually would these people be paid that represented the 4,000 to 5,000 people?

**Hon. Mr. Serby:** — What this new structure would look like, I believe the . . . And now we're talking about taking 240 council members and reducing them to somewhere in the neighbourhood, if this model were adapted, 10 or 12 or 14 representatives.

Associated to that then would be a team of individuals who would be administrators to that particular structure. Within that unit, you would see a council member earning somewhere in the neighbourhood of around \$8,000 I believe. A reeve or a mayor or whatever you might in fact identify this person as being would be somewhere in the neighbourhood of 25,000, and your senior management people would be somewhere in the neighbourhood of 75,000.

**Mr. Bjornerud:** — Thank you, Mr. Minister. Well all I can say, Mr. Minister, is I certainly hope I don't lose this job because I certainly wouldn't want to rely on one of them for the work it's going to take for \$8,000. I know the work I put in as a reeve for six.

And if these people are going to, I would say, replace many, many councillors and reeves and they're only going to get \$8,000, I can see how we got to the \$29,000 . . . \$29 million saving, Mr. Minister. I don't believe that one for a minute.

Mr. Minister, because time is running short, I'll get to the end of my question so my colleague from Indian Head-Milestone can ask some questions.

But I thought it was interesting this last week, Mr. Minister, when we're talking about highways, and we've saw where volunteers have gone out to fix holes on the highways. Is there

any stretch to the imagination that that may be put forward out in rural Saskatchewan in the RMs — are we looking at something like that?

Because I think I for one am not sure that I think that's a great deal, a great idea. And I understand why the people are doing, but I don't . . . And I really think I believe that's such a great idea for the highways. I'm hoping that won't be happening out in the RMs. Is that anything that's in the plans for rural government out there?

**Hon. Mr. Serby:** — What I want to say first, in respect to what the remunerations to people who serve on municipal councils are today, I want to say to the member opposite, that if I were sitting today as a council member at the city of Yorkton, I'd be earning about \$6,000 a year. And the population that I would be serving is in the neighbourhood of about 17,000.

And so when we took a look at what this value . . . when we took a look at what the value of what council members in fact are going to be receiving, we based it on what municipal councillors are earning today in larger urban centres. So this is in fact where we got some of our numbers.

I want to say to the member opposite that when you ask the question today about whether or not there's some thought here that what we're going to be doing is disassociating our role in the Department of Highways today and passing those responsibilities on to municipalities, that's not the discussion that we're having at all. That's not the discussion that we're having at all.

There is no interest here in municipalities assuming greater responsibilities for highways, and we're not talking about taking on greater responsibilities for highways.

But we are talking about how we might be able to enhance our transportation networks across the province. How in fact the province and municipal governments can partner up in a more significant way, transportation systems within the province, and some of that work is being done today. What we might do around land planning, what we might do around assessment, those are all issues that we would talk about into the future.

**Mr. Bjornerud:** — Thank you, Mr. Minister. I guess your numbers and ours don't quite jive here because you were talking about the city of Yorkton and you representing X number of people, but you've got to remember you have how many aldermen and a mayor in the city of Yorkton that would look after that volume of people.

Now take that scenario out to rural Saskatchewan and add a volume of miles and a volume of roads to look after which changes that picture completely just because of distance, Mr. Minister.

Mr. Minister, moving on, I've been getting a lot of calls, and you may be as well, where we know our highway system is in drastic need of many dollars and a lot of repair out there. And what's been happening in many RMs — and maybe your officials today can also respond to you on this one — is that many RMs out there are really concerned because a lot of the highway traffic is diverting over to our grid roads — in fact, in

some cases, what used to be our main farm access roads — and just pounding the living daylights out of them, Mr. Minister.

What it's doing is actually, in a way, it's downloading onto the RMs again because they're responsible for repairing these roads, especially the main farm access ones all by themselves, Mr. Minister. Are you getting calls to that same degree?

**Hon. Mr. Serby:** — I have to say that I have had some calls from some of the municipalities. I've been around the province a bit and have had an opportunity to talk to municipal leaders and there is no question that as the truck traffic in the larger inland terminals make their way, there's a greater load that's being carried today by the municipal road system. That's correct.

And in some instances today, some of the municipal road systems are under pressure as well and we've tried to provide some assistance over the last couple of years. As you can appreciate, we had, last year, the 10 million provincial municipal infrastructure program. We have it in place again this year of which some of that money on the rural side will make its way into rural Saskatchewan to help alleviate some of the additional pressures that they have.

Now my hope is that next year as we get into the provincial/municipal/federal program, which has been announced, as you know, in February, we're hopefully going to see a larger chunk of that federal money make its way to Saskatchewan; and some of it of course, hopefully, in our discussions and deliberations will see it make its way on to the grid road system where we have some pressures as well.

**Mr. Bjornerud:** — Thank you, Mr. Minister. I'll wrap it up with just one more question for you, and in advance of that, I would like to also thank your officials tonight for the support that they've gave you to answer the questions we've asked.

A comment by the Deputy Premier this week has somewhat worried RM people out there, where he talked about talking to a town out there in passing the highway or the access road over to the municipality; and I think what we saw in my area, Mr. Minister, where I believe it was the RM of Churchbridge took over the maintenance of Highway 8 out there.

Is this maybe something that's in the works that may be coming because I think a lot of councils out there, town and RM for that matter, because when you come to access roads into towns, are very concerned about having these roads dumped on to their responsibility but the funding not following. Is that anything that may be coming in the future, Mr. Minister?

**Hon. Mr. Serby:** — Well I think one of the discussions that we had that might help sort of answer the question is that as we talked at the round table today, and over the last four or five weeks, clearly there is a number of responsibilities that we think municipal governments could provide a function around today. Some of it was around water management, some was around road services, some was around economic development, some was around public transportation.

And we think that we need to explore all of those kinds of discussions. But what will be important in that debate and what

will be important in that discussion is that municipalities don't just take on additional responsibilities without taking with them additional resources. And that will be the important piece of the discussion.

I mean today if there are roadways that are going to be transferred or have been transferred, along with those transfers have gone bags of money to help them do that. Now I think the discussion will be how much is in the bag. That will be the discussion.

But clearly there are some roadways in the province today. There is some economic development opportunities today. There is some land planning that can be done far better at the local level than we're doing it at a provincial basis. So that discussion we're going to continue to have.

**Mr. McMorris:** — Thank you, Deputy Chair. I have a few questions on this Price Waterhouse cost analysis. I'm not going to spend a lot of time on it, however, because I've talked to a number of people in SARM and SUMA and asked their opinions of it, and they just said the number of assumptions that are put forward in this document, that it has no credibility whatsoever. I mean, \$90,000 for Price Waterhouse to audit the assumptions that came up by the department.

The cost analysis is only one side of the issue and I know when I talked to a number of people, they wanted to see if there was some cost savings. And I guess that was what was attempted with this document, is to show that there'd be cost savings by amalgamating, by bringing a bigger government — bigger unit, I should say, maybe less governance or less councillors, that type of thing — but a bigger government, bigger area, and that's where the cost savings would be.

And I look in the Regina regional municipal district and I add up all the number of towns of 16, the villages of 40, resort villages of 14, and RMs of 22. It works out to a little over a hundred local governments down to one.

You talk about the councillors in those areas. And I don't know how many you're replacing. If there's a hundred, there's . . . local governments, you're probably replacing roughly 600 councillors, reeves, mayors, with how many elected officials to represent that area.

I'd like to ask that question first, and then from that, probably another couple of questions on this, although I promised myself I wouldn't spend a lot of time on this document just because of the assumptions made.

**Hon. Mr. Serby:** — I think the member identifies appropriately that the cost-benefit analysis makes some assumptions. And it makes the assumptions based on the particular model. And as I've said before, we're not married or tied to the model. I mean what we tried to do here is to take the existing model that's been provided and put some data around it as accurately as we could in hopes that others can then look at it and from it will stem other models.

And I expect that what we'll do is see other models that will make their way around to the round table as we move our work ahead.

The Regina district that you talked about I believe has 15 elected officials that would be responsible for the governance piece of that particular area.

**Mr. McMorris:** — So I guess that gets to the base of the assumption to assume that 15 elected officials will look after what the amount of councillors and reeves and mayors are doing in those communities right now. For an increase . . . and I just think of the RM where I farm and looking at how much those councillors and the reeve were getting paid, to go from a councillor roughly about 3,000 to 8,000.

But the amount of responsibility from 15 councillors to . . . from 6 to 700 hundred councillors down to 15 is really unrealistic. I think you'd have to agree with that.

**Hon. Mr. Serby:** — Well I guess what I'll be looking for then is for somebody to provide us what would be a realistic kind of a model. If 15 is not suitable and somebody thinks that we should have 20 or 25, there's no magic in deciding what that kind of representation should be.

And I think the round table is open to that discussion for sure — not I think, I know — that the round table is very open to that kind of discussion.

I mean when I look around this room here today, we have people who . . . I mean you represent a geographical area that's a large one, and you're expected to know a whole lot about a whole lot of different issues. I mean you need to know about highways and grid roads, and you need to know about health and social services and education. And so as one elected member today sitting in this Assembly, you represent the very large regional area of somewhere I expect between 10 and 15,000 people that you would be representing in your geographical area.

And to do that work, you have your administrative office and your salary. So you have one man, in your case, who's responsible for that large a jurisdiction, as well as knowing all of the provincial issues, as well as all of the municipal issues.

And so if you say to me today that 15 people are not enough to provide the governance model for that particular area, then you know what is it? You know what is that? And I don't have a solution to that, nor do I have a particular answer to it. All I am saying is that I think that it is important for us to examine what that governance and administration system should look like. Because municipalities, by and large, are consolidating some of their administration on their own. And it's happened in a few places across the province.

And so I say to you if there are no efficiencies in consolidating your administration, why are they doing it? Because obviously there is some efficiencies in doing it. And I expect if you were to apply that in a broader way across the province, you'd find some broader efficiencies.

(2100)

**Mr. McMorris:** — I think — thank you, Mr. Deputy Chair — the assumptions to assume that I know my responsibilities as an elected official, and to go to that scale at the wages that you

assume is just unrealistic. And I think probably the thing that is more frustrating than anything else is then to wave this out in the public through the media and say we would save \$29 million. You're trying to sell your amalgamation idea.

And no, maybe you're not married that. Great, I hope you're not because it's unrealistic and it wouldn't work. But you're charting that out and you're using it to sell the very point that you want to do — forcing a bunch of communities, picking winners and losers, who's going to get the RM office.

And I realize that a number of communities are amalgamating already with sharing administrators and offices and things like that. But they're doing it on their speed when it makes economic sense, and they still supply the service in their area that they were chosen to and elected to do.

And I think that's the difference between what you have done here with this cost analysis, and the difference between what they are doing out there in local communities by amalgamating on their own. That's all the time I want to spend on that document.

I wanted to ask a few questions regarding the First Nations fund. And we've asked many questions through question period and different venues, and every time we seem to bring up this subject we get labelled with labels . . . we get branded with labels that are really untrue, unrealistic, unfounded — not certainly what we want to do.

Now it was very interesting that the former Provincial Auditor talked for a number of years, pretty much every year, that this fund under the gaming fund should be audited by the Provincial Auditor. And there are other areas in government that aren't audited by the Provincial Auditor but can be and would be, I think, if pressure was put on. I find it really more than a coincidence that the new auditor in his report and different . . . is of the same opinion. Why is this not audited? Not necessarily because there was anything wrong with perhaps the auditing process, but the whole cloud around it because you say it can't be done. And we get called racist and everything else because we bring it up, causes so much more suspicion than what really needs to be there. And so I guess I have a number of questions surrounding this.

First of all, could you explain to me and take me back quite away on how the whole process works — you know, how the money is divided up, what goes to the First Nations fund, and what stays with government? So if you could give me a bit of a *Reader's Digest* history of this whole process and then we'll go from there.

**Hon. Mr. Serby:** — Well thank you, Mr. Chair, to the member. As you can appreciate, when the casino operations in the province were first established back around '94-95, there was an agreement that was signed in 1995 that permitted a portion of the revenues that would be generated on the First Nations' casino that would make their way into a fund called the First Nations fund. That First Nations fund then would apply those revenues that they had received to organizations and groups that would be of First Nations.

The board of directors that was appointed to the First Nations

fund were a group of men and women that, by and large, were selected by the First Nations. They would put their names forward, and through order in council we would identify them and also approve of them. And that's how the fund was established.

Throughout the process of the First Nations fund, they've had an auditor of name that's been involved in making sure that the auditing practices of the First Nations fund was adequate, by their belief and ours. And it's KPMG, I think, is the firm of audit that's been doing the work.

And as you can appreciate, there has been a lot of discussion with First Nations people about where the province has responsibility or where the province might have jurisdiction or where they believe the province does not have jurisdiction. And this debate doesn't only centre around the First Nations fund, but as you know well that it has a lot of implications in a whole lot of other areas of our work with First Nations people as it relates to inherent rights.

And so when we proceed to ask the question about how is it that we can provide full assurances that the First Nations fund is in fact being . . . meets the kind of expectations and obligations of an audit process, I've been saying to you that the private audit meets those kinds of obligations on our behalf.

And to date, the private audit signs them off and says in fact that there hasn't been any kind of, if I might use the word, misappropriation of funds, but in fact funds are being adequately distributed.

And I said, I think, at the last time the question was asked of me by the member from Estevan, that in fact we've had another discussion with the First Nations people about how we might be able to expand the accounting requirements within the fund to ensure the kinds of questions that you've been asking, as well as the Provincial Auditor has been raising with us.

And it's our hope that we're going to be able to move that discussion to that particular place. And that continued dialogue is in place today, and our hope is that we're going to be able to achieve that in a broader way as we're moving ahead. In the same way that you're asking to try to be accomplished, we're seeking that kind of understanding and appreciation with the First Nations people as well.

**Mr. McMorris:** — Thank you, Mr. Minister. I was very interested in what you had to say there as far as you can take from my assurance that, you know, the audit is being done. And I really do believe, isn't that the whole purpose of a Provincial Auditor? Is so that, you know . . . I'm sure every minister would like to say, well you can just take from my insurance that the audit is going to be done properly because I am in charge of it and it'll be done properly.

And that is the very point, the very point of why we have a Provincial Auditor to look into that so that we don't have to just take your assurance, but we are assured by the Provincial Auditor that there is no misuse of funds or misdirection of funds or any other sort of process.

And that gets to the very root of why we would like to see this.



Not that we are assuming that there's misuse, but it clears up any questions that we have to have by assuming that you're taking care of it in the manner that you feel it should be taken care of. And it may not be the manner we feel it should be taken care of.

So could you . . . give me maybe another reason of why this is not going through the Provincial Auditor's office.

**Hon. Mr. Serby:** — Well as I tried to say, Mr. Chair, in sort of my dissertation about how we in fact got to where we are today in the arrangement that we have with the First Nations and the First Nations fund. The reality is that when we signed an agreement in 1995, the understanding was that those books in fact would be addressed by the private audit, and that as we go to negotiate a new agreement in the future, if in fact we can change that particular agreement that we have in place today, we're contemplating . . . we're having that kind of discussion as you and I speak this evening.

It's our hope and we rest our position today with the fact that there is a working arrangement that we have with the First Nations people and that if we want to see a broader access to the fund, we're promoting that at this particular point in time. We're promoting that. And it's our hope that we're going to be able to achieve the kinds of requirements that the Provincial Auditor is asking us to try to achieve.

In the meantime, while we're going on the premise that the work that's been done by KPMG is in fact work that parallels the work of the Provincial Auditor, in fact that the reporting process out of the fund is today meeting some of those kinds of requirements, that particular document is not filed here yet. But we assume that it should be filed here. It's filed with the First Nations community. And so there is some accountability at that level.

Now it will be my objective to try and enhance that as we move along and as we proceed to move into our next agreement which we're going to be signing with First Nations people around the whole gaming piece. Our '95 agreement is at term now, there's a short extension on it, and this is part of the discussion that we're having today.

**Mr. McMorris:** — Thank you. I'm very glad to hear that you're moving in that direction. It seems pretty slow at times, but I guess maybe that is the process. It's nice to have been able to ask a couple of the questions about the very issue and not be labelled, which we have been on this side of the House over and over and over and over again. And I think the questions are very legitimate and very honest and forthright.

I think what I'll do is to thank you very much for your time. I'll turn it over to the member from Carrot River Valley to ask a question, and then we'll go from there.

**Mr. Kwiatkowski:** — Thank you, Mr. Chair. Mr. Minister, just one very, very quick question.

As you mentioned a little earlier, the first of the SUMA regional meetings will in fact be held in Porcupine Plain this coming Wednesday. And my question is: are you planning to attend that meeting in Porcupine Plain on Wednesday?

**Hon. Mr. Serby:** — Mr. Chair, I first thought that it was a paid political ad that you were giving tonight to suggest that you might be there too. I understand that you're going to be there as the mayor of the community.

I'm going to be attending 10 of the 13 regional meetings across the province. There are three that I'm not able to attend because the session is still on, and there's a duplicate here in terms of time. So I'm having to be here unless there are members who are prepared to accompany me on that trip. And if I could take two or three of you as I go, I'd be happy to do that, and then I might be able to attend all 13 of them.

**Mr. Elhard:** — Thank you, Mr. Deputy Chair. Mr. Minister, I have with me tonight a letter that was sent to my office by the RM of Arlington No. 79. And I'd like to read it into the record here if I could. It's addressed to me personally, and it reads as follows:

Council passed the following resolution at their April 2000 council meeting:

Whereas, policing costs were imposed on the municipalities in 1999, and

Whereas, at that time the municipalities were told that in the future they would only have to pay for policing costs in excess of \$5,000, and

Whereas, this year, when policing funding was cut, the provincial explanation was the \$5,000 policing grant was an interim measure,

Therefore, that a letter be sent to Wayne Elhard, MLA, to express council's dissatisfaction with the provincial government's decision to discontinue funding the first \$5,000 of policing costs; and to request that Mr. Elhard lobby the provincial government to re-instate the provincial police funding that was promised the municipalities in 1999.

And that resolution was carried.

I would assume that you can consider yourself lobbied at this point. But I have a question that is supplemental to this resolution.

Can you give this municipality and others throughout the province a rationale for the downloading of policing costs at a time when the rural economy is near its historical worst and tax revolts have been the number one topic throughout much of the country?

**Hon. Mr. Serby:** — I think what's important in this discussion — and I appreciate the letter that you're quoting from, and I have a copy of it as well — I think what's important here is that this is the kind of debate that when you attended a meeting with a group of municipal leaders, those people who had . . . or represented communities over 500 would say to you that it isn't fair that we're having to pick up the policing costs for those people who don't pay . . . who pay for the policing costs . . . who don't pay for policing costs under 500.

Because the way in which the policy existed before is that any community under 500 in the RMs didn't provide any policing costs here. And those communities over 500 looked after all the policing costs.

In 1997 when the task force on policing — and it has a more elaborate name than that, cost redistribution for policing services across the province — came up with a formula that said that there would be a period of time in which there'd be an expectation that those communities under 500 would have their portion of their policing costs paid, of which what happened is that the province ended picking up those costs on their behalf, not the municipalities over 500 but the province picked them up.

Then when you attend the same meetings again, those people over 500 would say well how does this work. Those communities under 500 still aren't paying their policing costs; they're being paid for by the province.

And the understanding, as I understand it, has always been that over a period of time, those communities under 500 would assume those policing costs eventually.

Now this year in our budget process, we made a conscious decision about how we're going to provide policing for the future. And the Minister of Justice has been up on his feet a couple of times and has articulated how, in fact, we're going to be adding more police services across the province.

And today, he's indicated that there's 25 additional police officers that are in the field. And over time, what we'll see is we're going to see as many as 200 police officers in the field.

So our hope will be or our objective will be that over the next two or three years, you're going to see more police officers in Saskatchewan providing policing services to those rural communities today who were entitled to a broader policing service, of which they're going to be expected to pay for as has been the decision of this past budget.

**Mr. Elhard:** — Mr. Deputy Chairman. I'd like to ask the minister. I understand, and I appreciate the explanation, but did your government not in fact promise a \$5,000 policing grant? And was it qualified at any time prior to this year as interim?

**Hon. Mr. Serby:** — Well my understanding, Mr. Chair, to the member is that it was recognized as being an interim process.

**Mr. Elhard:** — Is there any documentation, Mr. Chairman, for that particular time period? Was the interim time period defined? Can it not be assumed that interim would ordinarily mean more than one year?

**Hon. Mr. Serby:** — I don't think that there was a timeline. I haven't read anywhere that there was a timeline established on it. And you know this is a two-year period in which the funding has been looked after for. And I don't know what the definition of interim might be. It might be one year. It might be two years. It could be three years. It could be six months. But in this case, the policing costs have been provided for those municipalities for a period of two years.

**Mr. Elhard:** — I can appreciate the concern that would be raised by this type of arrangement. It's not specific in any respect. It kind of leaves the municipalities hanging when they had full reason to expect that the interim measure would carry on for some time.

What I would like to know from you now is that do you have any plans of any sort to revisit the rural policing funding arrangement that would restore some of this grant that is now missing?

**Hon. Mr. Serby:** — We certainly have it on our agenda for further discussion at the round table, because as we're looking at a whole host of services that are provided by municipalities today, policing is one of the discussions that we're going to be entering into. So it would be fair for me to say that we've touched on it and that we'll have a broader discussion around it at that venue.

**Mr. Bjornerud:** — Thank you, Mr. Chair. Mr. Minister, once again we want to thank your officials tonight. We do have some letters here from concerned ratepayers in the province we'd like to table, Mr. Chair. And once again we thank your officials and we'd like to report progress at this time.

#### General Revenue Fund Saskatchewan Municipal Board Vote 22

##### Subvote (SM01)

**Mr. Bjornerud:** — Thank you, Mr. Chair. Mr. Minister, I believe the only question we really have tonight is that I see the budget has actually gone down for the Municipal Board. Could you maybe give us just a quick explanation of the reason for that?

**Hon. Mr. Serby:** — Mr. Chair, we're just going to need a second here because I need to consult with another group of officials around this particular piece.

**Mr. Bjornerud:** — Mr. Chair, we have no problem if the minister wants to check and get back to me tomorrow would be fine. If the officials aren't here tonight that would be fine.

**Hon. Mr. Serby:** — We'll provide that information tomorrow then for the member, Mr. Chair.

Subvote (SM01) agreed to.

Vote 22 agreed to.

**Hon. Mr. Van Mulligen:** — I move we report progress.

**The Deputy Chair:** — This concludes the estimates for the Municipal Board, and I just want to mention to the government deputy house leader that I'm advised we don't need to report progress. We can move on to the next estimates.

So the estimates now before the committee will be for Energy and Mines. And we'll just give the . . . I want to thank the officials for Municipal Affairs, and we'll just take a moment to do a change around in terms of officials. And my thanks to the

minister and to the critic for Municipal Affairs.

**Hon. Mr. Serby:** — Thank you, Mr. Chair, and thank you to the critics for their questions this evening as well. Thank you.

**General Revenue Fund  
Energy and Mines  
Vote 23**

**The Chair:** — Before I invite the minister to introduce his officials, I'll just inform the committee members that this department has appeared twice in the committee previously, and we'll begin this evening by inviting the Minister of Energy and Mines to reintroduce his officials.

**Hon. Mr. Lautermilch:** — Thank you very much, Mr. Chairman. To my right is my deputy minister, Ray Clayton. To my left, Bruce Wilson, who is the executive director of petroleum and natural gas. Behind me is Mr. George Patterson, who is the executive director of exploration and geological services. And directly behind me is Donald Koop, who is the assistant deputy minister of finance and administration; and Doug Koepke, who is the manager of accounts.

**Subvote (EM01)**

**Mr. Stewart:** — Thank you, Mr. Chair, Mr. Minister, and I wish to thank the departmental officials in advance for their help. I know they've been a great help on the previous two occasions.

On our first kick at this cat, the minister asked me to kindly proceed to the real financial estimates, so I'm prepared to do that tonight, and it won't be good television, but it needs to be done.

Under the heading of administration, Mr. Minister, estimates show no change whatsoever for supplier and other payments. Why is that?

**Hon. Mr. Lautermilch:** — Thank you very much. Mr. Chairman, I'm told by the officials that the line items that you're referring to are budgeted on an annual basis. And as you will know, the Department of Energy and Mines budget has been very stable. And upon reviewing those different components of the Energy and Mines budget, the officials saw no need to increase or decrease.

**Mr. Stewart:** — Thank you, Mr. Minister. Under the subheading of salaries, in this department I see they're going up from 924,000 to 941,000. In light of the entire mining claims drafting department being laid off, why the increase, Mr. Minister?

**Hon. Mr. Lautermilch:** — Mr. Chairman, in response to that, the increase was as a result of changes in my office. For a period of time my office functioned with two ministerial assistants as opposed to three, which is the norm in a cabinet minister's office, and that increase reflects the increase in my office changing from two to three MAs (ministerial assistant).

**Mr. Stewart:** — Thank you, Mr. Minister. Who is the third ministerial assistant, Mr. Minister?

**Hon. Mr. Lautermilch:** — His name is Mark Pitzel, Mr. Chairman.

**Mr. Stewart:** — Thank you, Mr. Minister.

Under accommodation and central services for supplier and other payments, we see an increase from 1,915,000 to 2 million. Why the increase, Mr. Minister, and where is it going to specifically?

**Hon. Mr. Lautermilch:** — That is just a small adjustment in terms of the accommodation rate that's charged to the department by SPMC (Saskatchewan Property Management Corporation) in the building that they occupy. And I'm told by the officials that when they moved in we had put together an estimate; this is an adjustment that corrects that.

**Mr. Stewart:** — Thank you, Mr. Minister. In petroleum and natural gas then, under supplier and other payments, I see there's a reduction from 482,000 to 460,000. Can you explain that, Mr. Minister?

**Hon. Mr. Lautermilch:** — Mr. Chairman, that is for a transfer of funds for computer purchases to another line item under the budget, system services, in the amount of \$22,000.

**Mr. Stewart:** — Thank you, Mr. Minister. Salaries in this department are rising from 3.802 million to 4.045 million. Can you explain this?

(2130)

**Hon. Mr. Lautermilch:** — Mr. Chairman, there are three components to this. There is the 2 per cent out-of-scope salary adjustment that was effective July 1, 2000. And adjustments for new in-scope class plan which amounted to 98,000.

And as well there were some additional staff that were acquired for dealing with the deep rights petroleum lands, the new initiative that the government embarked upon a while back that has, by the way, been very successful. That amounted to \$125,000 of incremental salary costs. And additional funding from mineral compensation for salary shortfalls. And basically that's an adjustment to salaries in that particular area.

**Mr. Stewart:** — Thank you, Mr. Minister. Under exploration and geological services, the subheading of supplier and other payments, I see there's a reduction there from \$540,000 to \$518,000. Why the decrease, Mr. Minister?

**Hon. Mr. Lautermilch:** — Mr. Chairman, that's similar to the decrease that you saw in the natural gas division. It's a transfer of funding for computer purchases to system services. So you will see that increase in the system services component of that budget.

**Mr. Stewart:** — Thank you, Mr. Minister. I note that salaries in this area are up from 2.815 million to 2.977 million. Can you explain that, Mr. Minister?

**Hon. Mr. Lautermilch:** — Mr. Chairman, there are again three components to that. There is a \$71,000 incremental amount for a 2 per cent out-of-scope salary adjustment that took place July

1, 2000. There was a reduction of 134,000 in support staff that reduced by four FTEs (full-time equivalents), and I think the member may have referred to that a little earlier. And there's additional staff dealing with deep oil formations. There's one person there. And oil exploration data, there's seven FTEs at a level 4 amount. So there's four permanent and four temporary in the amount of 225,000 which is a net increase of 162,000.

**Mr. Stewart:** — Thank you, Mr. Minister. In mineral revenues, mineral revenue collection is up from 3.257 million to 3.358 million. Now where did that increase come from, Mr. Minister?

**Hon. Mr. Lautermilch:** — Mr. Chairman, there are a salary increase in minerals revenue collection area of 256,000, and I'm told a reduction in operating costs of 155,000.

**Mr. Stewart:** — Thank you, Mr. Minister. I see mineral compensation is down from 221,000 to 171,000. That seems like quite a decrease. Can you tell us what that's all about?

**Hon. Mr. Lautermilch:** — Mr. Chairman, these are actually amounts that have been expended in terms of compensation for land and mineral rights on land. And it comes really in two forms. There was a process where an annual cash compensation took place and we have negotiated arrangements with these landholders where we swap land. So it's a combination of land and cash payments.

**Mr. Stewart:** — Thank you, Mr. Minister. Under expenditures, supplier and other payments are down from 1.102 million to 947,000. Why this decrease, Mr. Minister?

**Hon. Mr. Lautermilch:** — Mr. Chairman, I think the . . . my officials tell me the simplest way to answer that is that in years past we did quite a bit of contracting for computer consultants. We went to the market and hired the folks outside. What we found was, that for our purposes internal to the department, it made more sense to have these done by people within our department and basically these are salaries that are quoted and expensed to that area based on the in-house work that's being done for those computer services.

**Mr. Stewart:** — Thank you, Mr. Minister. Does that explain the entire increase in salaries then, Mr. Minister, from 2,115,000 to 2,411,000?

**Hon. Mr. Lautermilch:** — Mr. Chairman, the breakdown on that is for the in-house consultants rather than outside of the department. That amount is \$208,000 and we had referred to the out-of-scope salary adjustment in other areas of the budget that you questioned earlier tonight that took place on July 1 of 2000. That amounts to \$40,000 in terms of that amount. So those two come very close to the total amount.

**Mr. Stewart:** — Thank you, Mr. Minister. Mr. Chair, Mr. Minister, in Resource Policy and Economics, Resource Development and Taxation is up from 1.537 million to 1.581 million. Why this increase, Mr. Minister?

**Hon. Mr. Lautermilch:** — Mr. Chairman, the increase in salaries was \$53,000; 31,000 of that was due to the out-of-scope salary adjustment that we just referred to a little earlier. And there was some salary adjustments that we weren't estimating

appropriately within that component of the budget in the amount of 22,000, so what this did was put them more in line with what the actual cost of those particular employee expenses were, for a total of 53,000.

**Mr. Stewart:** — Thank you, Mr. Minister. Apparently energy sector initiatives are way down from 1.461 million to 517,000. This seems like a huge drop. What's that all about, Mr. Minister?

**Hon. Mr. Lautermilch:** — Mr. Chairman, the total decrease for that particular part of the budget was \$953,000. The largest component of that was one-time federal funding for climate change modelling that was compensation, a one-time funding from the federal government in the amount of \$1.056 million.

There were expenditures in their funding for CO<sub>2</sub> (carbon dioxide) technology initiatives that you're aware the government has been involving itself in with respect to enhancement of heavy oil and managing CO<sub>2</sub>. So that was an increase in the amount of 112,000 and there was a transfer of budgeted computer purchases to service systems in the amount of 9,000 that we referred to in another part of this budget a little earlier.

**Mr. Stewart:** — Thank you, Mr. Minister. I see although supplier and other payment expenditures are down by a huge amount, I see salaries in this department are again going up from 1.371 million to 1.424 million. How do you explain that, Mr. Minister?

(2145)

**Hon. Mr. Lautermilch:** — Well, Mr. Chairman, I think if you look at them all together you'll see that basically this was done as an out-of-scope salary adjustment that became effective July 1, 2000. That's an awful lot of this.

I would want to make a few comments with respect to the Department of Energy and Mines. It is one of the departments in this government and in this administration that has been very effective in maintaining its costs of operations over the years. And I want to say, Mr. Chairman, that, in spite of the fact that the activity in the oil and natural gas sector, potash, and uranium industry have been very strong and been very active.

If you look at the number of wells that have been brought on stream and if you look at the increase in the number of natural gas wells that have been drilled, I think it's fair to say that the department has done very, very well in managing what has been a very stable budget even in spite of the fact that they've been producing more paper, more licenses, collecting more fees.

And I think if you look at the rate of return that the people of Saskatchewan get on their investments within this department, a budget of well under \$20 million generating hundreds of millions of dollars of revenue in a year and with very few people, I think a very strong case could be mounted on behalf of the people within that department that we get very much a good bang for our buck.

It's a very small investment for the amount of revenue that they're able to generate, and do it in a timely fashion so that we

can maintain interest within the industry in terms of investing in the province.

**Mr. Stewart:** — I do concur that you do seem to get good bang for your buck from the employees of the Department of Energy and Mines. My question was really since the program in that department seems to be cut by more than half — that's why I'm curious about salaries, not only maintaining but increasing.

**Hon. Mr. Lautermilch:** — Mr. Chairman, with the money that came as a part of a one-time funding program from the federal government, that money was spent on contracts. So as the program depleted, the number of employees within the department didn't go down because basically that million dollars was spent on contracts with individuals whose expertise we didn't have within the department at that time, so it was done on a one-time contract basis.

**Mr. Stewart:** — Well thank you, Mr. Minister. Mr. Minister, the June sale of Crown petroleum and natural gas rights netted the province I think \$4.46 million. It's also showing a trend in higher prices per hectare. How does this sale relate to the April sale?

**Hon. Mr. Lautermilch:** — Mr. Chairman, the information must be too current. We just released that the other day, and we haven't got a copy of that release with us, for June. But you're right. The price per hectare was up. And I guess for the province that is good news in that there seems to be more competition, driving the price of the land up. So that can help us pay some of the expenses we run here on an annual basis.

I will get a copy of that over to you tomorrow.

**Mr. Stewart:** — Thank you, Mr. Minister. What is the bottom line for the province's finances as a result of this in terms of an increase over 1999, June of 1999 . . . (inaudible interjection) . . . Yes.

**Hon. Mr. Lautermilch:** — Year over year, and June to June, last year, was 4.74. This year it was 4.46. Or was it the aggregate that you wanted or just the June over June? Well that's June over June. Last year it was 4.74; this year it's 4.46.

**Mr. Stewart:** — In light of that, in terms of trends in the industry, are we in an up trend or are things more or less stable?

**Hon. Mr. Lautermilch:** — Mr. Chairman, I think we can safely say that we're on a bit of an up trend this year over last year.

Our drilling activity is over three times what it was last year, so I think we can continue to expect a lot of activity out there.

And I think it's fair to say as well that a lot of the interest is in natural gas. It seems to be a very large demand. The price is very strong right now as you will know, and that seems to be driving a lot of activity in the province.

**Mr. Stewart:** — Thank you, Mr. Minister, and Mr. Chair. Mr. Minister, a news release from May 11 from your department states that mining companies plan to spend \$30 million this year on mineral exploration in the province. Could you tell us about these

plans and what you're hoping for from them?

**Hon. Mr. Lautermilch:** — Mr. Chairman, I'd be pleased to give the member a breakdown for the year 2000 estimated. And I think what is really interesting is the platinum group and the activity that is being done to pursue some opportunities there. There's about \$4 million estimated to be spent out of the 30. Three million dollars in diamonds. Uranium takes the bulk of it up, at about \$15 million. That's always very much an interested activity in northern Saskatchewan. Base metals at 5 million and gold at 1 million. So those are roughly the estimates.

But I think that, you know, certainly I know from the department's perspective the interest is . . . the platinum group is very interesting and certainly hopefully we can have something of that nature come on stream. It's very much a growing demand for the commodity in terms of all the of energy initiatives, and certainly that platinum group is a big part of that and hopefully will continue to grow.

**Mr. Stewart:** — Thank you, Mr. Minister. The release also mentions recent changes to the royalty structure for precious and base metals. What was done and how do you see this affecting the industry, Mr. Minister?

**Hon. Mr. Lautermilch:** — Mr. Chairman, the changes that we made in the base metal and precious metal royalty structure for 1999-2000, I'm just going to try and condense it here as much as I can. The provincial sales tax on the purchase of mineral exploration equipment was removed; additional mining equipment; investment in northern Saskatchewan supports. The northern strategy was signed by the Premier and the northern leaders to promote economic diversification in that area.

Some of the changes as well to the royalty structures, and these are effective January 1, 1999, companies will be allowed to claim, for royalty purposes, new mine development expenses at 150 per cent of their actual cost. The royalty rate has been lowered from twelve and a half per cent of profits to 5 per cent, increasing to 10 per cent of the profits once it reaches a certain level of cumulative production. And companies will as well be allowed to report royalties on a company basis instead of by the current lease-by-lease basis.

So I think some fairly dramatic changes. Certainly it's our attempt to be more and more competitive. We think that these have moved us in that direction, and from the feedback that we've seen from industry it appears to be very well received.

**Mr. Stewart:** — Thank you, Mr. Minister. I'm reading from a commentary in *The Leader-Post* dated May 25, 2000. It states that "the (mining) industry will shy away from further northern development if circumstances do not change." These comments are from Saskatchewan Mining Association president, Josef Spross, talking about provincial royalty fees and red tape, he says.

We've discussed this before in estimates. I'm curious what conversation you've had with Mr. Spross since this article came out on May 25 regarding this?

**Hon. Mr. Lautermilch:** — Mr. Chairman, I think it's fair to say that discussions with the mining industry through the

Saskatchewan Mining Association and with the Saskatchewan potash producers and as well with individual companies has been ongoing and continues at this point.

Certainly I've talked with Mr. Spross, as well as the mining association. I can report to you that with respect to overlap and duplication, we feel that we have made — just in the last very short period of time — a lot of headway with the AECB (Atomic Energy Control Board) as it relates to uranium mining regulations to try and eliminate the overlap, the duplication, and to clarify the areas of jurisdiction.

And so I think our sister or brother department, SERM (Saskatchewan Environment and Resource Management), has worked very closely with us on this file. And I think the federal government is in a position where now it's becoming more and more receptive to understanding the need to make the uranium industry more competitive by reducing the overlap and the duplication.

With respect to regulations, that is an ongoing review within our department to attempt . . . and within the government to attempt to reduce the cost and the paperwork process. And I can report as well that we are negotiating with the uranium industry with respect to their costs of operations as it relates to royalties and taxation. Those are . . . part of those discussions are part of a process which will take some time. Certainly we want to conclude them in a positive result as soon as we can.

But I would want to report to you that we are certainly wanting to assure that we in Saskatchewan remain the number one producer in the world with respect to uranium. We have the resource. We have the companies headquartered here, who are very much involved as part of our economy and in wanting to develop this resource. And we are going to ensure that we're competitive with opportunities for investment in other areas of the world. And that's why we're negotiating at this point with the uranium industry, as we've done with the potash industry, as we've done with the oil industry, as it relates to heavy oil, and as we've done with respect to base metals and precious metals.

So it's been an ongoing process within the department. You never seem to get done unfortunately because there's always more to do, and there's always changes in the marketplace, and so there's always requirements to ensure that you're keeping up to speed with what's going on in the world, and that you're making sure your industries can be and are competitive.

(2100)

**Mr. Stewart:** — Thank you for that very comprehensive answer, Mr. Minister. It eliminated two more questions that I had on the subject.

For clarification sake, Mr. Minister, while we wrap this up, every once in a while we still get calls to our office about the PST (provincial sales tax) expansion and how it affects the industry — oil, chemicals, used equipment, professional services. Have you had meetings since we last chatted in estimates, and are you trying to alleviate any concerns these businessmen have before they leave the province? And I particularly refer to the oil field service industry.

**Hon. Mr. Lautermilch:** — I can say that we have been . . . The Department of Finance has certainly been working closely with the oil producers and people within the industry as my department has.

I would want to say that with the activity that's taking place in this province, as I indicated a little earlier, we're almost triple the number of wells that are being drilled. So that would suggest to me that there will be business opportunities for Saskatchewan businesses in this province.

Our goal is to ensure competitiveness, and there are many facets to the cost of doing business in a province — sales tax being one of them. But I think the business climate that we are trying to work towards will ensure that we've got businesses not only growing but expanding here in this province.

I think it's really important to remember we have a very important resource here as it relates to oil and gas. There is much potential and I think investors see that and I think they know that.

I wouldn't suggest to you that we always agree when we're negotiating with industry. That's the nature of business. But what we do is try and find areas where we can reach agreement. With respect to the sales tax, I think you know that we have been working very hard with industry to ensure that the interpretation of these taxes will minimize the impact on the oil and gas sector. And I think that's a responsible approach to take.

Mr. Chairman, I want to say the goal in this province, whether it's with oil or whether it's gas or whether it's any other commodity, we're going to work to ensure that we're competitive.

You know the pressures that we face with respect to balancing our budgets, with the debt load that we still carry. But we're dealing with those. We're reducing that debt load and we're going to make this place even a more competitive business climate than it is now. And certainly with the work of industry and a positive attitude towards investment and developing this province and growing this province, we'll make it happen.

**Mr. Stewart:** — Thank you, Mr. Minister. Also for the record, Mr. Minister, in terms of the capital tax on resource companies which is unique to Saskatchewan, what headway has been made on this issue? What meetings have you held and what's your goal here and what kind of a time frame?

**Hon. Mr. Lautermilch:** — Mr. Chairman I can say to you that the corporate capital surcharge that the member refers to is one of a number of initiatives or issues that has been raised and are under discussion with CAPP (Canadian Association of Petroleum Producers) and as well with the Saskatchewan Mining Association.

Those include, and they're no secret, power rates, corporate income tax, the corporate capital surcharge and, as well, and I think is important to all of those, is municipal surcharges that they're facing on a daily basis which is becoming, I must say, much more and more of a concern in particular to the oil and gas sector over time.

And it's certainly one of the issues that I think municipal politicians will have to take a very close look at because their cost of doing business is much more than just provincial taxes or the Department of Finance or the Department of Energy and Mines. There is power rates, there's, as I've said, municipal charges, there's a whole myriad of things that create the environment in which they do business and create costs for them. And we will continue in the future as we have in the past to put their issues on the table, to see areas where we can effect change so that we can ensure the competitiveness of this province and the ability to attract their investment and I guess confidence of their boards of directors that Saskatchewan is a good place to do business.

**Mr. D'Autremont:** — Thank you, Mr. Chairman. I only have two questions but they may have a lot of supplementaries. Mr. Minister, I'd like to welcome you and your officials here. I wonder if you could tell me how closely you and your department work with the Department of Justice when it comes to dealing with Saskatchewan surface rights.

**Hon. Mr. Lautermilch:** — Mr. Chairman, the Surface Rights Board is under the purview of the Minister of Justice and they report to him, so certainly that is his responsibility. If there are issues that would be pertinent to my department raised by the Surface Rights Board, the Minister of Justice has no hesitancy in calling my office and discussing the issues with me. I can't tell you that I've had a call from him in the last while, but if he has an issue but I'm sure his question will be forthcoming.

**Mr. D'Autremont:** — Thank you, Mr. Minister. Perhaps as my colleague suggests, the Minister of Justice is too busy campaigning for the leadership.

My question deals with the issues surrounding the Surface Rights Board. Do you advise the minister at all on any of the issues related to the board dealing with the interaction between the owners of the land and the oil companies?

**Hon. Mr. Lautermilch:** — Mr. Chairman, it's always in the interest of the department, of the government as a whole, and of the industry, as a matter of fact, to ensure that there is harmony between the landowners, people who are on lease land, or whether it's owned, whether they own the mineral rights, whether they don't — it's our job to attempt to create harmony.

Now sometimes there's a dispute between a farmer, someone holding land, and an oil company. Most cases, I would say, that they are able to resolve those issues on their own. There are times when they'll use the Surface Rights Board. There are times when contact will come direct to my department.

We try to facilitate a good working relationship because that only makes good business. The oil and gas sector are going to be operating in areas where there's agricultural activity taking place, and certainly it's our goal to attempt to find harmony.

**Mr. D'Autremont:** — Thank you, Mr. Minister. Hopefully then, you can answer a couple of these questions in an attempt to find some harmony between the agricultural producers, the Justice department as representing the Surface Rights Arbitration Board, and the oil industry and your department.

In particular, I have a letter here from Miles Vass who is the

chairman of the Southeast Surface Rights Association, and one of the resolutions they passed at their last convention or meeting dealt with physical surveys, seismic surveys that hopefully are touring our province. I know that in my own case, I've had two in the last month, so I'm certainly not complaining about them being around. But there are, sometimes, there are some complaints and the resolution that they passed suggests that the compensation be paid to municipalities if they are operating on municipal lands, which they do not do now, or that they remain on private or Crown land and not on the road allowances for the conducting of their surveys.

Has the minister discussed any of this with the Justice department?

**Hon. Mr. Lautermilch:** — Mr. Chairman, I can say that this — and my officials tell me — that this has been discussed at the municipal board. And so certainly they are well aware of the issue.

I want to say that as we have in the past this evening, we like to see harmony between the landowners and the oil companies. But I think what would not be tolerable is an environment where the industry is not able to operate and extract the resource and put in on to the market.

So I would say that Mr. Vass has some, I know, some very strong views, he's very much involved in the area where oil and gas activity takes place, but our officials are aware of the concern and the comments that have come from that association.

**Mr. D'Autremont:** — Well thank you, Mr. Minister. This in no way, shape, or form would restrict the operations of the oil industry. It would simply mean that they would not be able to avoid paying compensation for access doing seismic activities or for damages, in that matter, in carrying out seismic activities.

There are times when the seismic companies carry out their activities in the ditches of the municipal roads and leave those, especially if it happens to be a wet season, in very terrible shape. If they are on private land or on Crown land, I'm assuming Crown land that they would pay some compensation, but certainly on private land, they pay some compensation, both for access and for any damages that occur.

And what Mr. Vass's association is asking is that the seismic companies be in a position of paying compensation and access no matter whether it be on municipal land, whether it be on Crown land, or whether it's on private land, that it's all operated under the same basis. Therefore there's no advantage to simply running down the municipal road allowance to avoid paying compensation to the landowner adjacent to the road.

As the department, have you, Mr. Minister, made any recommendations to the Department of Justice surface rights board on any of these issues?

**Hon. Mr. Lautermilch:** — Well, Mr. Chairman, I think it would be fair to say that we would take the position that it only makes sense for the oil and gas industry to be using the road allowances. They compensate for any damage that they do during seismic.

But I think, from my perspective, it would be . . . make much more sense to have them investing money drilling oil wells and producing oil, than it would be to not be on road allowance areas and spending seismic dollars going across private land when the same job can be done using the road allowances.

So I guess from my perspective, I'd far sooner see that investment spent in drilling oil wells, producing oil, and creating jobs for people in Saskatchewan.

**Mr. D'Autremont:** — Well, Mr. Minister, the amount of money that they spend on seismic does not impact the amount of money that's spent on drilling. In a lot of cases the seismic operations are being carried out by independent operators with hopes of selling their results to a company at some point in time. In some cases they're being done for a particular company who are searching for oil to know what's below the ground. In other cases, it's simply being done on speculation. So just to say that if you reduce the amount being spent on seismic, you could drill more oil wells.

If that is a good argument that you're presenting, Mr. Minister, if it is, then what you should be doing is something like reducing the royalties. That would certainly allow them to drill a lot more oil wells then, if they didn't have to pay your royalty taxes. That would provide for more oil wells. Or perhaps you could say we're not going to charge the high electricity costs, because then that would allow those companies to drill more oil wells, Mr. Minister.

So if you're going to be consistent, Mr. Minister, in your argument, are you then advocating the reduction of the royalties so that they can drill more oil wells? Are you advocating a reduction of the electricity costs so they can drill more oil wells? Are you advocating the reduction of fuel taxes so they can drill more oil wells?

(2115)

**Hon. Mr. Lautermilch:** — Mr. Chairman, let me just ask that both of us be consistent. February 16, 1998, the Carnduff news, and the member is quoted as saying their new lower royalty tax structure will help eliminate disincentives of low prices for many companies and will therefore help to at least maintain, if not increase, drilling activity in the southeast and around the province.

Now, Mr. Chairman, not to be argumentative, but on a regular basis the opposition is pursuing incremental costs for highways, they're pursuing reduction in terms of the fuel tax on . . . that are sold through our service stations in the province.

The member is advocating lower royalties and taxation, and I agree with him, as we can and when the province can afford it, and that is the position we take. All the while we need to ensure that we're balancing budgets because no one wants deficit budgets in this province.

**Mr. D'Autremont:** — Well Mr. Minister, reducing the royalties certainly would increase the drilling, and since you're saying compensation is already being paid for any damages on municipal property, then that wouldn't have any impact either. So Mr. Minister, again you're the one who suggested that if you provided more compensation to the owners of land for seismic survey that that would reduce the drilling. Well then your royalties and your other taxes are reducing the drilling.

Mr. Minister, another issue that comes up quite often that I would like some clarification on what your department is doing and where you're doing it is on the orphan wells. What's happening with those circumstances? Has that issue been settled?

**Hon. Mr. Lautermilch:** — Mr. Chairman, I can report to the member that those discussions have been ongoing. We're certainly all of a similar mind, both the government and the industry, and certainly what we want to do is prevent orphan wells. And when they do occur, which on occasion they can, we have a mechanism to deal with them, and of that we're very much of one mind. We haven't reached an agreement yet, but I'm confident within the next very short while, we will have an agreement with producers.

The committee reported progress.

The Assembly adjourned at 10:20 p.m.