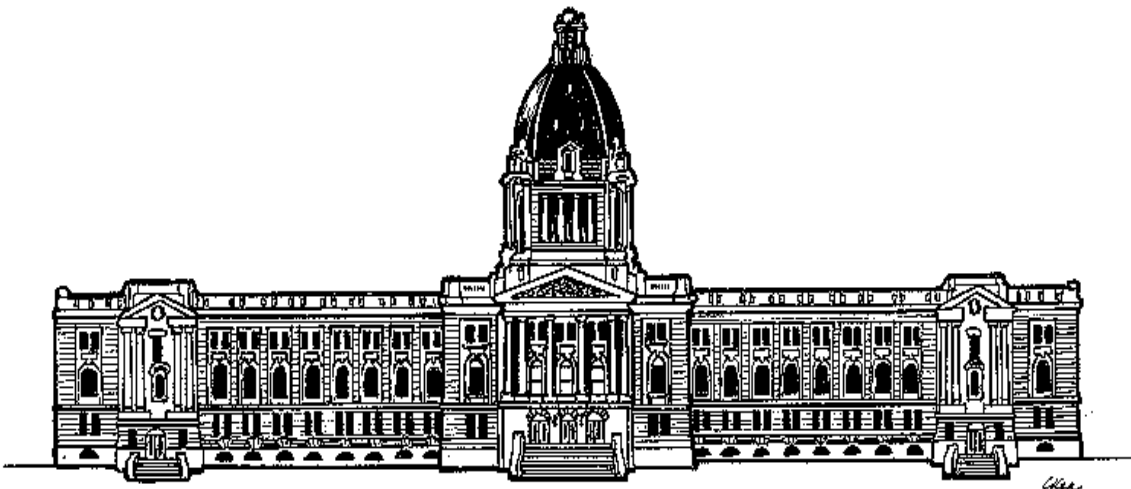




STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

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**STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES
2008**

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Martensville

Mr. Tim McMillan
Lloydminster

Mr. Jim Reiter
Rosetown-Elrose

Mr. Randy Weekes
Biggar

Mr. Kevin Yates
Regina Dewdney

[The committee met at 18:00.]

The Chair: — Good evening, committee members. Welcome back to the legislature. We're into looking at the Finance estimates, consideration of estimates for the Ministry of Finance. Before we get to the estimates, I have a number of reports; I think most of them dealing with SGI [Saskatchewan Government Insurance] and subsidiaries that have been tabled for the members' consideration.

**General Revenue Fund
Finance
Vote 18**

Subvote (FI01)

The Chair: — The first item of business is the estimates for the Ministry of Finance. This is found on page 71 of the Saskatchewan Estimates book. Minister Gantefoer, welcome to the committee, and I would ask you at this time to introduce your officials this evening.

Hon. Mr. Gantefoer: — Thank you very much, Mr. Chairman and members. It's a pleasure to be here this evening for my first opportunity to discuss the estimates of the Ministry of Finance.

I would like to thank ministry officials for joining us. On my left is Doug Matthies, deputy minister. At his left is Arun Srinivas, senior tax policy analyst. To my right is Brian Smith, the assistant deputy minister, Public Employees Benefit Agency. At the back is Louise Usick, director of financial services branch; Margaret Johannsson in the middle, the assistant deputy minister, revenue division; and Joanne Brockman, executive director, economic and fiscal policy branch; and at the very back, Dick Carter, my chief of staff. And we look forward to this evening.

The Chair: — Thank you, Minister. Finance vote 18, central management and services (FI01), Minister, do you have an opening statement that you'd like to make at this time?

Hon. Mr. Gantefoer: — Nothing very formal. I would certainly like to thank the committee and all the members for the opportunity to be here this evening. It, I think for me, is sort of a bit of the end piece in terms of a five-month-long presentation and preparation of the budget documents. It was a very steep learning curve, and I certainly want to take this opportunity to publicly thank the Ministry of Finance for all of its commitment, leadership, and guidance that was provided to me and to our government as this process unfolded.

As members will undoubtedly appreciate, a budget process is normally something that is a 12-month cycle, and Finance ministries and Finance ministers start preparing their next budget virtually immediately after tabling the current budget. And certainly I look forward to the next budget cycle which will be indeed a 12-month cycle.

At the beginning of this process, I was unfamiliar with the responsibilities in specific detail, although I have to say that as a former opposition House leader, I had an opportunity to meet with the member from Regina Douglas Park, and to sit in the

office and talk House business when that individual occupied the responsibilities I have now. So I did learn from him a little bit of the magnitude of the responsibility, but it was not anything that I could have fully appreciated and anticipated. The process was very, very thorough. The amount of work that has to happen stays the same, I expect, but it was very compressed and it was a very, very important learning experience for me.

Next week we are going to New York and Toronto to meet with the bankers of the province and the bond raters, and we're very optimistic that that'll be very, very fruitful as well as for the province. It's a great honour to serve in any role in the Government of Saskatchewan, but I think it's a particular honour to serve the people of Saskatchewan as the Minister of Finance. So I look forward to the discussion tonight and look forward to the questions from members.

The Chair: — Thank you, Minister. Mr. Van Mulligen.

Mr. Van Mulligen: — Thank you very much, Mr. Chair, and I want to welcome the minister and his officials here tonight. I think all of us, committee members and myself as a guest in the committee, are under considerable pressure to not only ensure that we get the kind of information that'll be helpful to Saskatchewan people in assessing the budget, but also to make it interesting enough that they might actually want to leave the hockey game that's on at the same time. So we'll see what we can do.

Mr. Minister, earlier today I provided you some general questions with respect to employees. I don't need an answer to those tonight, but if you can undertake to provide those answers at some future time, that would be sufficient for me at this time.

Hon. Mr. Gantefoer: — Thank you, member. We certainly appreciated the fact that you gave us those questions that you would like answered this afternoon. It gave us an opportunity to look at them, and my deputy tells me that because you gave us that opportunity, that he has found the technical answers to those questions, so we'd be prepared to give them to you this evening.

Mr. Van Mulligen: — Great. Thank you very much. I don't need them at this point, but certainly can get them later in writing or whatever is appropriate.

I'd like to turn to the question of revenues and taxes and what your thoughts are with respect to broad-based tax relief for Saskatchewan people. Given current revenue growth, and it's considerable because of the hot economy . . . I see on my desk a red paper clip and I'm not sure that that red paper clip would translate into a house any more in Saskatchewan these days. But given the strong revenue growth, the government will be in a position in my view to provide Saskatchewan people significant tax relief in addition to the government's commitment to increase the credit for the education portion of property tax.

So my question would be, what is your priority in this regard? Is Saskatchewan's greatest challenge the PST [provincial sales tax], given the PST environment in Alberta? Is it the provincial income tax? What are your thoughts on this?

Hon. Mr. Gantfoer: — Thanks very much, member. I think I would start off by saying that I wish that the job of the Finance minister was balancing good ideas and bad ideas, because that would be very easy. It's pretty easy to recognize a good idea and to dismiss a bad one. As the member's undoubtedly aware, it's not that at all. It's an issue of balancing competing good ideas for prominence. And so the first kind of perspective that I would say that I think is important to have is a balance, that if you get too far out of reality and out of competitiveness in any one area, that probably is not the responsible way to approach the revenue requirements for the province.

Certainly we in Saskatchewan have — I think in the past, in the more recent past at least — adopted a fairly small “c” conservative approach. We're cautious because we have experienced variations in our revenues over the years, going back to the depressions and more recently with crop failures, and certainly much less in terms of resource revenues. And so I think that it is prudent for us to exercise caution in the way we approach our revenue streams.

We have in the last relatively few years experienced a rather significant increase in revenues, really across the board, and that has been very, very encouraging. And in terms of the long-term sustainability, we believe that it's important to make sure that the growth the province is now experiencing is something that isn't short-lived and that we take the steps that are necessary to ensure that we do everything we can to make sure that the growth is sustainable in the long term.

And so that means that we have to then look at all of our revenue sources and evaluate their relative position vis-à-vis our neighbours on an ongoing basis. I think that it's fair to say that it isn't a stationary target, that our neighbours review their fiscal policies and priorities on a regular basis. And that's not only in the Canadian milieu but also in North America and so that there's an ongoing need on a very regular basis to evaluate our comparative position.

In the campaign that we recently came through, the priority that was identified going forward was to do something significant and long-term lasting in terms of the educational portion of property tax, and so there was a commitment to take some interim steps in that regard. But while that was committed to, there was the necessity to develop a longer-term program that we could put into place and be sustainable.

The member from Rosetown is charged by the Premier with doing that investigation in terms of recommendation to our government and to caucus and cabinet with a longer-term solution, and it has been my hope that that recommendation will come forward, and we will have time to consider it so that it could be the solution to that. The response to that report would be included in the next budget cycle. We don't want to delay it indefinitely, but we want to recognize that priority.

We also have watched with interest the process of the change in the royalties on oil and gas in our neighbouring province to the west, and we think that decisions that they made have resulted in some extra activity in our province, quite frankly. And we believe that the position that has been in place by the prior government is appropriate at this time and going forward. And we have stated publicly that we have no intention in the short

term or medium term, for that matter, of changing those royalty rates. And as a result, we're optimistic that the kind of activity we see in Saskatchewan is going to be sustainable.

Certainly a direct response may well be pointed to in terms of the recent land sales where we had budgeted \$100 million of revenue, and the actual sale came in at 265 million. That's rather phenomenal, and we certainly don't want to do anything that would impede that kind of activity and that kind of positive outlook in our province. We also recognize that there has been a plan and indeed a tremendous investment in the potash industry and that this commodity, if you like, is likely to be in relatively strong demand going forward in countries like China and India, and increasingly in Central America and even the United States, which has traditionally been a strong market. As the need for these countries expand in terms of their agricultural output, we believe that the price for potash will be strong and that the demand for the product will be strong.

So again we think we're on the right track. The industry is very much expanding. And as the member would know, is that there is some offsetting, royalties that are offset by the investment that happens as there's an accelerated writeoff potential. So short term it can actually diminish your revenues somewhat, but in the long term it's very, very, very good news for the province indeed.

In terms of sales tax, again we recognize that the province to the west has a zero sales tax. There are other things that their citizens pay for that ours do not. And we certainly are the lowest, with the smallest base of sales tax applied of any province that applies sales tax in the country. So we think that at 5 per cent it's not inappropriate. It's perhaps a reasonable level of expectation to come from the sales tax area.

Our personal and corporate taxes are something that we need to review on an ongoing basis. We need to keep our eye on that. And certainly on the personal taxes there may be some need to look at that particular area going forward. It's something the ministry and I are keeping our eyes on.

You know, I think it might have been Sir Winston Churchill that said that tax policy is like plucking a goose. What you want to do is get a maximum amount of feathers with the least amount of hissing. And so I think that that is a goal and a reality for ourselves that we're going to try to keep all of these things in balance, and evaluate them and keep an eye on them on an ongoing basis.

Mr. Van Mulligen: — Can we just ask one follow-up question with respect to provincial income tax? Saskatchewan undertook significant income tax reform to make our income tax system more competitive with those of our neighbours. That reform was concluded, well, probably now some — what? — maybe 10 years ago, maybe less than that.

Have there been any major changes in personal income tax rates, applications, in either Manitoba or Alberta that would give us cause for concern about the competitiveness of our tax system, personal income tax system at this point?

Hon. Mr. Gantfoer: — Yes thank you. I believe that the business tax reforms actually are completed in this budget so

that it's been an ongoing process. And I would have to say from my perspective, in looking at it as a new minister, I think it was very appropriate and has been well received by the business community.

In terms of personal income tax, the chartered accountants do an ongoing evaluation of our competitiveness, and I think it's fair to say that we are at the edge of, you know, moving to the non-competitive range and that these issues are something that are on our radar screen and certainly will be very much a part of our consideration going forward in the next budget cycle.

For this cycle we felt that it was important to honour the commitments we made in the campaign. And the priority that was identified during the campaign in terms of the educational portion of property tax was something that we wanted to send the signal that we were wanting to deal with as a priority basis. And as a matter of interest, the chamber of commerce, for example, is an organization, and surveys of their members also indicated that the educational portion of property tax was a higher priority for their members than was personal income tax. But it's certainly on the radar screen, and we have to be attentive to it.

Mr. Van Mulligen: — Thank you. Earlier you talked about variations in revenue. Can you explain the process the Department of Finance uses to forecast oil revenues for budget purposes and also how the process this year differs from the process in place in previous years?

Hon. Mr. Gantefer: — Thank you. I just wanted to check particularly if what we're doing now is different than what it was prior because I wouldn't have that intimate knowledge, and I am told that it is virtually the same in this year. We go to Energy and Resources who have more expertise in terms of these commodity prices. We ask them to give us their best estimate as to what the prices might be. They in turn consult private forecasting agencies who are the professional gurus, if you like, about where the prices may be.

And it's kind of frustrating to look at the results of those forecasts because I think that if you look at the forecasts for next year for example, they would range anywhere from \$150 a barrel to \$65 a barrel. I mean, I think you and I could get that accurate on our own without any outside help. And so what we have done as a principle is sort of dismiss the high number, the low number, taken a mathematical average of the remaining forecasts, and put a dart in the wall, if you like, on a number. And is it right? It's a mathematical illusion in many ways, but we have to put it somewhere, and so we don't want to overestimate and come up short or deliberately underestimate to make sure there's more revenue coming in. But it's very difficult.

I can kind of predict the weather tomorrow pretty well, next two or three days not bad, but next month and next year it's very shaky. And I think forecasting some of these prices in a very volatile market in North America and the world is kind of like that as well.

Mr. Van Mulligen: — But just to clarify, the process this year is similar to the process that we had in previous years, or the same as the process in previous years?

Hon. Mr. Gantefer: — If the deputy wants to specifically answer that, but he tells me that it's the same.

Mr. Van Mulligen: — The reason I ask that is that I certainly recall that in the last number of years, strong criticisms from the then members of the opposition about the process we used to forecast oil revenues and wondered what has changed for you and your colleagues in terms of accepting the process that the Department of Finance uses to forecast oil revenues, as opposed to, I guess, any number of ideas whether it's consulting someone's brother-in-law or whatever it might be that the then members of the opposition seemed to favour in terms of forecasting oil revenues.

Hon. Mr. Gantefer: — Yes, I can certainly reflect on the frustration of the differences between actual and forecast numbers. When I was challenged with this role, I mean, I certainly looked at, are there better ways of doing it? And you know, certainly I said to Finance, you know, goodness we've been sort of wrong by \$1 billion each year in the last four years. That's sort of like budgeting with a shotgun or something. And I've come to realize you can only do it on the basis of the best information you have, and you can only do it based on the forecasts you get from the private sector professional forecasters. And I am at a loss to come up with a better methodology than what the department was already using.

They certainly are at a loss sometimes to explain why it's different, as I think the professional forecasters are at a loss. It's kind of interesting that the one forecaster that happens to get it right certainly thumps his or her chest in terms of being very proud of the accuracy of their prediction, and next year it's someone else who is quite different in their forecast is right. So I don't know of a better way than taking an average of these numbers and trying to be as responsible as you can in terms of actually nailing it down.

Mr. Van Mulligen: — I'd like to just read a definition of something that is called the Dutch disease, and:

Dutch disease is an economic concept that tries to explain the apparent relationship between the exploitation of natural resources and a decline in the manufacturing sector. The theory is that an increase in revenues from natural resources will deindustrialise a nation's economy by raising the exchange rate, which makes the manufacturing sector less competitive . . .

The term was coined in 1977 by *The Economist* to describe the decline of the manufacturing sector in the Netherlands after the discovery of natural gas in the 1960s.

And certainly that resonates, I think, the experience here in Canada where we see very strong revenue growth from our natural resources, but at the same time we're seeing an appreciation of the Canadian dollars, and I think everyone admits, is a struggling manufacturing sector in Ontario. It may simplify the issue, perhaps overly so, but I think it does bring the questions into focus.

There seem to be two basic ways to reduce the threat of Dutch disease. One is by slowing the appreciation of the real exchange

rate, and I'm not asking you to do what you can as a provincial Finance minister to effect the Bank of Canada and their exchange rate. I'm sure you have opportunities to discuss that with them. And another way is by boosting the competitiveness of the manufacturing sector.

Now the manufacturing sector, it seems to me that over the course of the last probably 12, 13 years — manufacturing and processing — has grown significantly in Saskatchewan compared to other provinces in Canada. It's come from a very small base, but the manufacturing output and the value of shipments has increased, I think, at a higher rate than it has for other jurisdictions. And so we, you know, have seen growth. The question is, I guess, how we can maintain growth. And my question would be, how have you boosted the competitiveness of the manufacturing sector and processing sector in this budget?

Hon. Mr. Gantefer: — Thank you, member. I think one of the key things is again in this whole balance of priorities. When I look at a community that borders on my constituency, next to Melfort . . . St. Brieux is an example. One of the ongoing concerns and complaints of Bourgault Industries who are the biggest employer there . . . that community of a small population has a GDP [gross domestic product] probably in the \$100 million range. And when you ask Gerry Bourgault, the CEO [chief executive officer] and president of the industry, what the biggest impediment he has to succeed, it's been infrastructure. It's been Highway 368 and the ability for him to successfully get his products moved out of his manufacturing plant onto the highway so that they can be shipped to a centre for transportation or down into the United States for example. So I think one of the key things from our perspective in this budget that we felt it was important to do, if we had only one choice to make, is to invest in infrastructure.

And by way of interest, we also had opportunity — not just myself but certainly myself to some extent — to visit with people from the province to the west who, I think members would agree, have experienced some very rapid economic growth in their province some years ahead of our province. And it didn't seem to matter if we were talking to people in agencies or businesses or oil companies or private citizens. The simple question that we put to them is, if you could do it over again, if you could re-experience the growth in your province, is there any advice that you would give us in terms of being new to this tremendous economic growth in the province? What would you put your attention to firstly because it would be my observation that they attended to debt retirement as their first priority.

And virtually to a person they said, don't get behind on the infrastructure investment curve because when you try to catch up if you ever get behind, you will do it at a very tremendous premium cost. And so that they are now trying to catch up, and with the competitiveness for workers and for contractors, they're paying premium prices to do it.

So we felt it was very good advice and very valuable advice and that a strong priority for us in this first budget, in order to make sure that we can sustain the economic momentum and sustain the growth that's happening in the province, is to make significant investments in fundamental infrastructure — roads and bridges and culverts. And certainly in the specific example

that I gave of St. Brieux, to the improvement of Highway 368 that has been under some difficulty for a number of years, that this was important and certainly responded to the direct recommendation of the business leaders in that community.

Further to that, things like schools and hospitals and those kinds of things are also important to our communities. So as a first initiative, that's where we're at, and that was the general consensus that we heard from businesses across this province.

Going forward, you're right, in terms of your analogy to this Dutch disease. In terms of influencing the foreign securities, of course we can have conversations, but as you know we're a relatively small province in this country. And certainly in terms of the North American economy, we are, you know, rounding errors perhaps in terms of the numbers that are south of the border.

I have to say as part of my cautious nature, I'm concerned about the storm clouds that are gathering in the United States. I'm concerned about some of the storm clouds that are gathering in eastern Canada, and I am very, very much of an opinion that we have to be very diligent, that things that are driving our economy, we sustain in a very appropriate way. So your point's well taken, and I think that the comparison to the experience in the Netherlands is not quite applicable to our situation in the province, but I think there are important lessons to learn from that observation.

Mr. Van Mulligen: — One of the other ways that a jurisdiction can boost competitiveness is to ensure that you make the kind of investments in education that mean that you have a skilled workforce that can always provide you that competitive edge with comparable workforces in other jurisdictions. And I guess one of the questions I would ask is, what have you done to ensure that in terms of skills training, in terms of education that we achieve that competitive edge relative to other jurisdictions?

I look at the budget and I see, for example, an increase in training spaces that is, on a budgeted basis, less than what was budgeted in previous year, and wonder if that's an opportunity that you might see for future investments. Can I have your thoughts on that?

Hon. Mr. Gantefer: — I think that the member is absolutely right in terms of the importance of a trained and motivated workforce in the province.

And certainly one of the important parts of this whole equation, if you like, is not only to train these generally young people, but also to retain them after they graduate. And hopefully we can retain them for a long enough period of time that they put down roots, start a family, and build their careers in our province. And so a part of that is the tax credit — the graduate tax credit — of up to \$20,000 that we introduced in this budget as an incentive to have the people that we do train stay in the province.

It makes little sense, I suppose, to increase training in a way that just results in trained individuals prepared for export because it seems to be something that would be a very poor value for Saskatchewan taxpayers to not take every step we can to make sure that these people are made aware of the

opportunities in Saskatchewan, and we encourage them and incent them in a reasonable way to stay.

We also have increased, and we can get the exact numbers for you, but I believe memory tells me something less than the magnitude of the increase in the prior budget, but certainly significant, and we are starting to bump into some issues of capacity. And so just to sort of promise to increase so many training seats, if we don't have the fiscal physical capacity in order to do that, it's sort of a shallow promise.

But the point you make is well taken, and we certainly are very much committed to making sure we move forward with initiatives that are doable and pragmatic in terms of ensuring that there's a good workforce here.

We also think that there is further work that can be done in terms of immigration to bring people to this province, not only from offshore but other provinces. It's encouraging for me to see the statistics. The net increase in population is important and is across all categories. It's not simply retirees coming back from British Columbia. It's young people coming back to build their careers in Saskatchewan. So I think there's the real beginnings of encouraging signs moving forward. And the long-term, sustainable economy is going to be based on a growing workforce, and that is an important issue.

Mr. Van Mulligen: — I too am very encouraged by the growth I saw in population the last quarter of last year. I guess about midway through that quarter, your government took office in Saskatchewan, and I'm very pleased to see that our population continues to increase.

It seems to me that, speaking of Alberta, that one of the things that Alberta has been able to do over the years as well is to take their resource revenues which have been hugely significant over the years and to invest those revenues in broadening their economy to an extent that, my sense is, that if all of their resource revenues were to crash certainly it would create problems for the government, but not to an extent that they would necessarily be out of the equalization program, that their economy is that strong, that broad, and I think it reflects strategic investments by them over the years, whether it's the investment in the meat packing and processing industries that saw the shift of that industry from Winnipeg to Edmonton. You know, I think they accomplished that with strategic investments and subsidies. Peter Pocklington, I think, comes to mind.

When we see investments in the industries in Red Deer and Medicine Hat in petrochemicals and the like, and other industries' head office locations in Calgary, the question I would have is, what is our strategy to broaden and strengthen our economy, and how does this budget propose to do that? It seems to me that we really need to have a plan to do that, and I wonder if we're seeing that in this budget. Is there a budget or a plan that's inherent in that? It's not, as I read the budget document, explicitly articulated but is there a plan to do that?

Hon. Mr. Gantefoer: — Thank you very much for the question. I think that, you know, there are a number of issues that you talk about here in terms of going forward. Certainly one of the first important issues that we've had is what I outlined in the previous question in terms of the commitment to

infrastructure, and that's important to these businesses to grow and expand their base.

We also think that it's important that we not get into the direct investment route, and for many reasons. I mean, I don't think that our treasury is big enough in order to compete with the Canadian treasury or Ontario's treasury or Alberta's treasury or British Columbia's treasury. You know, we're going to have to compete on ways that will grow our economy in a sustainable way.

You know, our economy is changing rather dramatically, in my opinion, over a relatively short period of time. It isn't that long ago when the major driver of economy was agriculture. Now arguably it's probably the resource-based sector of our economy that's the predominant engine of growth. And so that's a pretty significant shifting and realization and response to competitive forces in the province.

Certainly we are hearing from the oil and gas sector that it's no accident that our land sales are as significant as they are and that there is real economic activity that accompanies that land sale. It's just not a dollar amount that goes into the provincial treasury. It's an indication of the commitment and the optimism that these companies have in growing the oil and gas sector in our province, and it translates into a significant number of real jobs. I think that there are studies that are quite dramatic coming from Alberta in terms of the spill-off kind of benefits that there are.

We want to be very attuned to the business community and listen to their concerns about what the impediments to their prosperity might be. And certainly one of the fundamental mandates of Enterprise Saskatchewan is to meet and to identify what there might be as impediments to growth in this economy and that these individuals who have agreed to sit on the board of directors of Enterprise Saskatchewan are incredible individuals giving of their time and talent to identify specifically, are there certain things that we need to address to put our business community and our province on a more competitive footing?

And certainly I look forward to that ongoing response as this new agency gets the wind in its sails and its ability to really function. I think there's going to be some very important deliberations that are going to go on and some very important advice that all of us are going to receive from this agency, and I look forward to doing our part in responding to those recommendations.

Mr. Van Mulligen: — So I deduce from your comments then that the government does not have a strategy as such with respect to broadening the Saskatchewan economy in a way that reduces our dependence on the non-renewable resource sector.

You talk about the attractiveness of the resource sector to Saskatchewan by that sector in Saskatchewan, but you don't make mention of any other sector of the economy that you see as perhaps being a sector that we might be able to work with strategically to see growth in. You say that . . . You know, you immediately jump to the question of direct subsidies and that your government doesn't favour that. Fair enough. But there are other ways to develop strategies, it seems to me, to grow sectors

of the economy that doesn't necessarily depend on direct subsidies.

Although I might say parenthetically, I find it somewhat laughable that the province of Alberta, that having used its oil wealth to make in fact those direct investments — whether it's in the livestock industry or whether it's in the petrochemical industry or whether it's to massively expand irrigation in southern Alberta — having made those direct investments, made those subsidies if you like, now takes the position that having achieved that, no one else should take those, make those kinds of direct investments. But we'll leave that for another day.

So I'm just wondering, have you identified any sector of the economy that in Saskatchewan we might look to as a means of growth that would help to reduce the reliance on our non-renewable resource revenues? And again I think all of us know that non-renewable resources are finite, and you know, future generations will look to you to see what kind of investments you're making to broaden and strengthen our economy.

Hon. Mr. Gantfoer: — Thank you very much to the member for that question. I think there's a whole number of areas that are real opportunities for the province to expand and diversify its economy.

Certainly, for example, the synchrotron in Saskatoon, I think is just at the cusp of realizing some of the potential that it can mean for this province. It's always interesting for me to hear that Calgary is sort of promoting itself as only being an hour away from the synchrotron. Well we're right here. It's in our province. It's in our cities . . . or it's in our very . . . the largest city, in Saskatoon. And I think that the possibilities that are going to come out of that scientific device are probably something that we can't quite imagine yet.

I recall when I was involved as the Health critic that we toured the facility, and that was just at the time when they were beginning the proposal for the medical beam line and explaining to us of the opportunities and the possibilities for medical research that would come as a result of the synchrotron and its location in Saskatoon. So think that there are tremendous opportunities in research, medical research, pure medicine, and all of those kinds of things.

I'm told as well there could be implications for pollution control and the mining industry in various areas so that . . . I think that those things are just beginning to be explored. VIDO [Vaccine and Infectious Disease Organization], I think in terms of infectious diseases and animal diseases and the research and pure research in terms of, are there things that can be learned and vaccines and those sorts of things that can be applied not only to the animal species but to the human species as well? And the fact that we have, I believe it's a class 3 lab that's going to be established and things of that nature point very, very positively to a new area that has, I think, pretty incredible potential moving forward in our university in Saskatoon.

In Regina here I'm certainly very much aware of the oil centre and what they've done in horizontal drilling and CO₂ recovery techniques and things of that nature that are not only applicable

in our province and in our oil fields but around the world. I think it's an important initiative to look at the CO₂ capture project in terms of the coal-fired electric generating facilities, both because it's important to reduce our CO₂ emissions in this province but also if we can develop a usable, practical technology that can be strapped onto the stacks of dirty coal-fired plants around the world, that maybe there's an opportunity to actually develop a technology and an expertise that is marketable around the world.

I think quite frankly that the time has come, and it certainly seems as if the citizens of Saskatchewan are willing to consider most of the nuclear cycle except for waste storage. I think they're interested in exploring greater opportunities in the nuclear cycle and what it may mean for our province, both in research and development and in actual generation of electricity. I would be very, very pleased if we could encourage the creation of a nuclear reactor to create medical isotopes in our province, given the fact that this is a very important process in medical research and medical treatment.

I think the nuclear industry, again with the notable exception of waste disposal, is something that the citizens of our province are very much interested in and holds a tremendous amount of potential going forward.

So the member is absolutely right. We need to identify those opportunities. That is certainly a very important function and role of Enterprise Saskatchewan: to identify not just the impediments to growth but also to identify the opportunities that should be further explored and suggest practical, pragmatic ways that those opportunities could be encouraged.

Mr. Van Mulligen: — You're identifying a number of investments that had been made over time, whether it's the synchrotron or the investments in VIDO, the investments at the Research Park in Regina with respect to the petroleum industry and the like. I don't see anything really in this budget that continues that kind of momentum and which would suggest then that the knowledge sector, if you like, is an important priority for this government and is a strategic priority for this government in terms of lasting dependence on our non-renewable resource sector.

Hon. Mr. Gantfoer: — Thank you. Certainly I think that these investments that have been made in these fundamental issues, they are not picking winners and losers in terms of direct investments into the business sector. Certainly the previous administration tried some of those investments. And I will acknowledge that they were even made in good faith. But the list of losers is much longer than the list of winners. And so our party and our government rejects that direct investment approach.

Certainly if we set the right climate and the right tone in a balanced and responsible way, that the excitement that will exist in the province and strategic investments that may need to be made in infrastructure and things of that nature to support that growth and optimism will allow innovation to come to the fore. And certainly Enterprise Saskatchewan is going to be tasked with the specific challenge of identifying specific opportunities suggesting to us if there are strategic supports that need to be done in infrastructure or things of that nature.

That is the role of government in reducing those impediments, that we will seriously respond to that challenge.

It's not a very ideological approach. It's very much of one of what I would call a principled pragmatism in terms of how we move forward. It's an exciting time, and I think we have to be optimistic but yet cautious in the way we move forward because unlike other opportunities, this opportunity may only pass our way once. And we have to ensure that we don't squander it.

Mr. Van Mulligen: — If I can just ask a follow-up question on this, and I won't belabour the point, although it seems somewhat — how shall I say? — puzzling that a party which in opposition prided itself on having a pretty clear vision as to where the economy should grow and what can be done and all the opportunities now finds itself referring back to previous investments by previous governments, and I don't necessarily mean in the potato industry either, but in terms of the synchrotron and other investments in the knowledge industry as being examples of the kind of investment that need to be made.

Can you explain to me that, you know, given the challenges of the productivity gap, the need to lessen dependence on non-renewable resources, and also given what I believe to be are very high levels of mineral exploration that are now taking place in, especially in northern Saskatchewan and other parts of Saskatchewan, why you would take this time now to reinstate the 10 per cent mineral exploration tax credit? What additional advantage will be gained from that investment — and it is investment, it's foregone revenues — will come from that relative to any other investment, and again given the very high levels of exploration that are already taking place?

Hon. Mr. Gantefer: — Thank you. While I certainly acknowledge that there have been good investments in the past in our universities and in our post-secondary education and things like the synchrotron, that they've been federal-provincial and municipal investments that are appropriate to provide infrastructure support to a knowledge industry and things of that nature, both in Saskatoon and Regina, I also suggest there are opportunities in the nuclear industry.

And certainly your government in the past in fact was very much opposed to the development of the nuclear industry other than the mining of it, but any further economic opportunity that could be levered out of the nuclear industry was pretty much frowned on by your administrations over the years, and so that is a clear, new area of opportunity for our government.

I also indicated to you very clearly and in non-partisan way as I could, that we were tasked with dealing with some fundamentals. And we put the \$1 billion investment in ready-for-growth initiative in infrastructure, not because it was necessarily just our brainstorm, but because of the great deficit that had been created by the lack of your administration in the past to appropriately invest in that infrastructure. And so one of the first obvious problems this province is facing is a crumbling infrastructure, in the fact that bridges and roads and culverts are falling apart and that people like the Bourgault Industries folks in St. Brieux are having to take their equipment out over a trail that would . . . posted horror stories in pictures on the Internet over the last couple of years of how difficult it was for them.

So in response to the fact that you would find it strange that we'd invest in this continuing investment, we not only continued the investment; we've greatly enhanced it based on the advice not only of people from other provinces but our own citizens who said something needs to be done about this crumbling infrastructure.

So I think that that is an important initiative. It certainly is true that everything can't be done at once. But there are things that were well invested in, in the past, like the synchrotron, and I certainly am pleased that the previous administrations — federal and provincial — have made those investments. And we would continue our support for those kinds of very fundamentally important issues. But more over and above that, we certainly are going to make other investments in the foundation and the fundamentals of infrastructure.

In terms of the specific question on the mineral tax credit — the 10 per cent — we felt it was important to create a vehicle for our citizens to be able to express their confidence in the mining and the mineral area by investing in this very important and worthwhile sector of our economy and to experience some of the benefits of the growth in that economy that's going forward. The loss of revenue to the province is not very significant. And the benefit, psychologically and financial, to citizens to have this opportunity to express their support for this very dynamic sector of our economy was very important to us, and therefore we reinstated this tax credit.

Mr. Van Mulligen: — The budget contains provision for servicing the government debt, and the total expense item is \$535 million. What was the high point of debt for government and when was that in terms of servicing the government debt?

Mr. Matthies: — Mr. Chairman, the historical high, if you will, in terms of the financing cost incurred by the government occurred in 1994-95. The cost that year was \$873 million.

Mr. Van Mulligen: — And the \$535 million that budgeted this year is out of a total budget of \$9.3 billion, but the \$873 million that was budgeted in 1994-95 — what? — out of a total budget of maybe \$5 billion, \$6 billion, or is it \$4 billion?

Mr. Matthies: — Mr. Chairman, if I can, the statistics would suggest or would indicate rather that operating spending in 1994-95 was approximately \$4.2 billion. That would be prior to the interest costs. And if I could just correct my earlier number, the interest costs that year was \$882 million. The previous number I indicated was a per capita figure. So 882 million was the interest cost. So the total spending out of the General Revenue Fund in '94-95 was approximately 5.1 billion.

Mr. Van Mulligen: — So that's \$882 million out of a budget of \$5.1 billion. I think you get the point that I'm making about what kind of flexibilities are afforded to government in terms of making the kind of investments that need to be made in infrastructure, and why it is that some governments might be constrained in doing so, and hope that never should visit you in the future, Mr. Minister.

I understand that at this point that you wanted to take a recess, and we're certainly prepared to do that.

The Chair: — Thank you, members. We're going to take a short recess. Let's be back in about 10 minutes, and we'll get going on the second half of this committee. So we will stand recessed at this time.

[The committee recessed for a period of time.]

The Chair: — Okay thank you for coming back, members. I want to recognize Mr. Reiter.

Mr. Reiter: — Thank you, Mr. Chair. I'd ask leave to introduce a guest.

The Chair: — Member has asked for leave to introduce a guest. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Mr. Reiter.

Introduction of Guests

Mr. Reiter: — Sitting at the back, I'd like to introduce Harold Martens. Harold's a former member of this Assembly, represented the constituency of Morse, and is also the Reeve of the RM [rural municipality] of Excelsior. So I'd ask committee members to give him a warm welcome.

Hon. Members: — Hear, hear!

The Chair: — Mr. Van Mulligen, if you want.

Mr. Van Mulligen: — If I might, Mr. Chair, in that vein. I had the pleasure of serving with Mr. Martens, serving on some committees with him. It's a real pleasure to see him here this evening. I can say that those members that are using their computers, thanks to Harold Martens, you're able to do that now. But no, it's a real pleasure to see Harold here this evening.

Hon. Members: — Hear, hear!

General Revenue Fund Finance Vote 18

Subvote (FI01)

Mr. Van Mulligen: — I want to use a metaphor to try and explain what is a sometimes complicated subject. And you used a metaphor, so I think I should be allowed at least one here tonight.

And that is that in my personal affairs this year, I had income higher than I really budgeted for and therefore was able to put into some savings. And because I expected that next year I might have to draw on that, or some future year I might have to draw on that, I've got a number of options that I can use.

One, I guess I could write down the mortgage. But that might mean reopening the mortgage. It might mean changes in rates, and so therefore it might not be the best instrument in the short run. On the other hand, I could put the excess funds I have into a savings account and benefit from the interest rates that are

available for savings accounts, whatever those might be these days. I'm not really sure; I don't have a lot in savings, and it doesn't seem like an awful lot.

On the other hand, I can also use the funds to write down on a line of credit that I have. And there I see monthly what that interest rate is, and I see that interest rate is probably two times what it is for my savings. So for me it makes a lot of sense — there's no administrative fees — as opposed to putting the money in the short run into a savings account, to use it to reduce my line of credit because there is a financial benefit to doing that.

So I want to talk about the Growth and Financial Security Fund. And in the past, the government took the position that with respect to Fiscal Stabilization Fund, that if you have additional funds, that you have a surplus this year, you might need those funds next year or the year after. You're probably best to simply reduce your line of credit if you like, reduce your debt, and then increase your debt when the occasion demanded that, as opposed to putting the funds into some savings.

But now the government takes the position — and I think the previous government already made that switch — to put the money into actual savings, into a cash account, and to benefit from the interest therein. Am I correct in saying that the interest rates that the government benefits from by putting the actual money in cash into investments is somewhat less than the savings that would be gained by reducing debt in the short run?

Hon. Mr. Gantefoer: — The short answer is that's correct, member. I also would like to continue the metaphor, if you like, that you opened with. In many ways the finances of the province are not unlike the finances that we face in our own individual families, certainly albeit with a lot more zeros at the end of the numbers, but the principles are relatively the same.

And when I said in one of my earlier responses to your question that it would be easy in this world if we were comparing good ideas to bad ones, but we're comparing competing good ideas. And certainly the idea of using savings, if you like, to pay down debt is a good idea. The question I suspect is one of balance.

The Fiscal Stabilization Fund when it had money in it — which is a relatively new phenomenon — is very similar, was very similar in some of its basic concepts to the Growth and Financial Security Fund that we're talking about for consideration in this House as we speak. There are some additional components in our proposal that didn't exist prior that I think that members will support in terms of the requirement to use 50 per cent of surpluses to be applied to long-term debt, and 50 per cent of those numbers and those monies would be available to the Growth and Financial Security Fund for further investment.

We are reviewing the investment policy on this fund to try to maximize the actual interest returns. And as the member would know, long-term funding for the province is a much more significant longer-term commitments on debentures and instruments of raising funds nationally and internationally than sort of an application against short-term debt that could easily move in and out of a cash account.

We do acknowledge that we think it's important to maintain a proper balance. I was asked the question on budget day, shouldn't you just take the savings and apply it to long-term debt? And I said well that's very good if you have a very stable and predictable family income. If you can rely on each and every year that your income is going to keep up with inflation and be predictable, you may be in a good position to take that chance.

But what if you're operating under contracts, where one year you might realize a very lucrative contract and the subsequent year might not be enough to realize your family's expenses? Then surely in that instance, it would be good to have money in the savings account that you could draw on to stabilize the family's income rather than having it being used to pay down long-term debt and now you have to refinance your mortgage with your banker in order to have enough money for your family to realize.

I recognize it's a balance, and certainly that's an ongoing challenge, and there is some marginal loss in actual interest spread. That's true. But certainly if we maximize our investment opportunity and because of the creditworthiness of the province, which we're hopeful will continue to improve, our ability to realize long-term debt at a reasonable rate is quite significant.

Mr. Van Mulligen: — What is your estimate of the forgone revenues of taking the approach that we are taking, that is, to put the funds aside in cash as opposed to using it to reduce debt or using the Fiscal Stabilization Fund, the Growth and Financial Security Fund, using it as a debt instrument? This interest spread, what would it amount to in the course of this fiscal year?

Hon. Mr. Gantfoer: — Thank you, member. I'm advised that in the past there has been an assessment based on our current practices, which we're reviewing, of about a 1 per cent spread between the money that is realized on our investment and the amount that we're paying. And on the 1.3, if that is true on a \$1.3 billion Growth and Financial Security Fund, that would be approximately \$13 million. That's an estimation as best I can give you at this stage.

Mr. Van Mulligen: — I want to understand this very clearly, and I think people of Saskatchewan want to understand this very clearly, that to have gone to a Fiscal Stabilization Fund first and now a Growth and Financial Security Fund, a rainy day account, and as opposed to putting any short-term funds that we have to reduce the debt and then as we need the money to increase that debt again — if you like to pay down on a line of credit and then to increase the line of credit as we require those funds as opposed to putting it into savings or in the case of the government, putting it into short-term investments — the government and people of Saskatchewan are faced with a cost, based on at least one estimate, of \$13 million?

Hon. Mr. Gantfoer: — Well thank you, member. I also point out that when the former government had its fund funded, there was something in the magnitude of \$900 million into it, so it was approaching that billion dollars. And so there would be an issue there of some \$9 million at that time, so the changing amount is not as large as the member would indicate, and

certainly that the policy we are now on is not materially different than the policy that was in place by the previous administration.

We are indeed looking at our investment policy on the Growth and Financial Security Fund. And, you know, we have issues of the liquidity of the fund and its availability on shorter notice and refinancing debt. And so the member raises an interesting issue, and we will continue to monitor it and ensure that we're balancing the processes appropriately.

Mr. Van Mulligen: — This is the advantage of course of doing these estimates and being in a position to ask the detailed questions because if the public only pays attention to question period and some of the results of the media scrums, then all you really get is rhetoric that's thrown around. And the public would not necessarily have known that the treatment in terms of the now Growth and Financial Security Fund with respect to putting funds into short-term investments as opposed to reducing debt is substantially, or perhaps in total, no different than what the previous government was doing because rhetoric would have suggested that it's a completely different approach.

So I just wanted to make that observation and also make the observation that, you know, people might question this, that in order to enhance understanding of something we're paying at this point \$13 million a year, we might have paid at one point \$9 million a year, simply to enhance our understanding of a concept that seemed to be more problematical for some of the bright lights of the media that cover the legislature than anyone else and point out too that that \$13 million is forgone revenues. Forgone is an expenditure, if you like, that, you know, it would be nice to have those funds.

What was it today? My colleague raising a question about a dental sealant program which costs a few hundred thousand dollars a year and greatly benefits low-income children in parts of Saskatchewan as opposed to expending, if you like, \$13 million on a program that well, just enhances communications, I guess.

I want to turn to another aspect of The Growth and Financial Security Act, and in particular part VI. And I appreciate the fact we're going to have an opportunity in committee to review the Act in detail. But given that this pertains to the budget, I would be interested to know in part VI, which refers to . . . the heading is **Efficient Service in Government**. And it states under the heading **Program reviews**:

In preparing the estimates for a fiscal year, Treasury Board shall review the existing and proposed programs and expenditures of ministries for the following purposes:

to determine the adequacy of those programs . . .
to evaluate those programs . . . as to economy, efficiency and effectiveness . . .
to ensure that there is accountability by the ministries to the Legislative Assembly . . . to achieve any other purposes that Treasury Board considers appropriate.

Can you tell me how this differs from the process that may have been followed in previous budgets?

Hon. Mr. Gantefoer: — I would not be aware of the details of the processes that would be in place of previous administrations. The purpose of this being in the legislation in regard to Treasury Board scrutiny of the ongoing expenditures of ministries is very simply to impose a discipline on fiscal responsibility on the spending side of the budget, if you like.

It is one thing to talk about the revenue side. And it's a very important part of the overall budget is to talk about and consider the opportunities on the revenue side of the equation. But there also is a responsibility to look at the fiscal side of the expenditures and to ensure, as much as is humanly possible in a \$9 billion organization, that fiscal spending disciplines are in effect and that there are indeed demonstrable benefits from the monies that are being spent.

We have a responsibility to treat the monies that we receive with a great deal of care and attention. And certainly this section of the legislation is intended to impose a discipline in a very, very open and forthright way on ensuring that we are getting the best value we can for the dollars we spend.

Mr. Van Mulligen: — Well I certainly agree with you. Given, you know, an organization the size of the Government of Saskatchewan, a penny here, a penny there adds up to significant dollars at the end of the day. And so we're well advised to have that kind of discipline.

But I guess the question I have would be, are we imposing a new process, or are we simply indicating that efficient service in government is a value that we want to articulate and a goal that we want to achieve?

Hon. Mr. Gantefoer: — As I indicated to the member, I can't comment with certainty on the new process because I am unfamiliar with the processes specifically that were in place, in detail, in the past. I do believe in general that Treasury Board of the government in the past was tasked and challenged with the overview of the budget preparation and made recommendations to cabinet and to caucus in regard to the appropriateness of spending and the effectiveness of the programs and the spending that was attached to that.

Insofar as I'm aware that that might be similar, I believe that the member could judge if the guidelines that are implied in this legislation are similar to what guidelines there may have been in place or stated or not stated directions of prior Treasury Board mandates. I think they'd probably be, my sense would be they'd be similar. And by stating this in an open and transparent way, I think it imposes a discipline that everyone can understand, and that has a great deal of value.

Mr. Van Mulligen: — Thank you for that. I want to just turn to one other section of the Act, and that is the limits in size of the public service. The Bill indicates under that section VI as well, or part VI, limits on the size of the public service:

Treasury Board shall monitor the size of the public service on a continual basis and determine whether or not the size of the public service, as determined by the method prescribed in the regulations, is growing or diminishing as a percentage of the population of Saskatchewan . . .

For the purposes of this budget and at this slice in time, how do you calculate and what is the size of the public service?

Hon. Mr. Gantefoer: — Member, if I could refer you in the Estimates book to pages 167 and 168, just to make sure that we're on the same portion of the budget. The intent of this discipline in the growth and financial security legislation is to impose a discipline on government so that in general principle using full-time equivalents as the benchmark is that the size of government does not grow at a rate greater than the general population of the province. And in order to achieve that, we felt it was important to survey all of the ministries to ascertain as accurately as we could what the starting numbers are. And so we went through that exercise. And in order to do that, we had to rebase the numbers so that we were indeed being as fair and as accurate as we possibly could in meeting the challenges of using full-time equivalents as the benchmark.

And so on page 168, there is a specific, detailed ministry-by-ministry of the rebalancing or rebasing of the numbers to get to a proper accounted point. There have been full-time equivalents that weren't utilized. There were people that weren't accounted for in full-time equivalents. So this adjustment needed to occur to get a fair starting number.

On page 167, the number of full-time equivalents are estimated for the 2008-09 budget at a total of 12,697.7.

Mr. Van Mulligen: — Thank you very much. I appreciate that.

I'd like to turn to expenditures and I wonder if you could explain to me the increase in salaries in the personnel policy secretariat.

Mr. Matthies: — Mr. Chairman, just if I can speak to that. The discussion that we have engaged in is that we think that it's important to expand some of the policy capacity that we have within the personnel policy secretariat. And so Treasury Board authorized some increased salary dollars for PPS [personnel policy secretariat] this year so that we could have expanded capacity from a policy analysis perspective.

Mr. Van Mulligen: — It's additional staff then, in short.

Mr. Matthies: — Correct. We will be adding more bodies.

Mr. Van Mulligen: — The issue of pensions and benefits and in particular the public service superannuation plan — there is an inflation factor that the government uses which is a percentage of increases in the . . . I suppose it's the national inflation rate or the provincial inflation rate and then provides that increase to superannuates. I wonder if you can tell me what that percentage figure is this year.

Mr. Smith: — Mr. Chairman, the actual percentage for April 1, 2007, the increase was 70 per cent of the change in the consumer price index year and over year, and it was 1.96 per cent.

Mr. Van Mulligen: — So it's 70 per cent of 1.96 or 1.96 is 70 per cent of a larger figure which I'm not going to try and calculate as we talk here.

Mr. Smith: — Your point eight per cent is 1.96 per cent.

Mr. Van Mulligen: — Thank you very much. In short can you provide a rationale why not just Saskatchewan but other jurisdictions, when providing inflationary increases to superannuates, seem to be providing something less? Well certainly in Saskatchewan does not seem to be, but we are, but in other jurisdictions too are providing something less than the full inflation factor, that they're not providing 2.8 per cent. Is there a rationale for that?

Hon. Mr. Gantefoer: — Thank you. There certainly was a decision by the previous administration to include a 70 per cent inflation rate to these pensions on a perhaps negotiated or a unilateral basis by the previous administration. That's in place, and it is an enhancement over the plan that was in place for those members in a place in the past that was not indexed. And so that's where this amount comes. It was an amount that was arrived at by the previous administration, and is currently and still on an ongoing basis, going to be applied.

Mr. Van Mulligen: — Is there a rationale that we would point to as to why it would be 70 per cent of GDP? In Manitoba, for example, I think also as a comparable figure for its superannuates. Alberta also has a comparable figure for its superannuates. There may be differences, but are there specific inflation factors that do not impinge retired people as an example that might hit the rest of the population, and therefore might affect those people in terms of full inflation? I don't know; I'm just asking that question.

Mr. Smith: — Gentlemen, I agree. It's comparable to Manitoba and Saskatchewan. And I think there's a theory that says that the consumer price index may not affect pensioners the way it does the working population. Their expenses may be lower for travelling to and from work. Their expenses may be lower from clothing for work. That's the theory. I don't think it's been proven in fact that it does apply, but the theory is that the consumer price index affects pensioners less than it does the working population.

Mr. Van Mulligen: — Are there any plans to increase the indexation?

Hon. Mr. Gantefoer: — At this time there are no specific plans to increase the indexation. I think it's one of those issues that we certainly are going to be mindful of and keep our eye on what is happening in neighbouring jurisdictions. This again is one of those issues of competing good ideas. And we think that what was negotiated and is arrived at is a reasonable balance. And we certainly will monitor it on a go-forward basis.

Mr. Van Mulligen: — It seems to me I did hear some discussion in this Chamber and in the environs around this Chamber about what would be an appropriate percentage. The previous government put it at 70 per cent. Others submitted that perhaps it should be 80 per cent. That sounded to me a little bit like Annie Oakley politics, that anything you can do, I can do better. So just to be clear on this, there's no specific plans at this point then to increase it from 70 per cent to 80 per cent, as an example?

Hon. Mr. Gantefoer: — None.

Mr. Van Mulligen: — Expenditure growth, the expenditure growth in the budget is how much in this year?

Hon. Mr. Gantefoer: — If you combine the new money that is available for infrastructure with the base funding, if you like, it's 10 per cent. That might be some miniscule decimal point off. Of that, approximately two and a half per cent is extra spending on infrastructure and the base budget, if you like, expenditure increase which includes a significant amount of infrastructure, is 7.5 per cent.

Mr. Van Mulligen: — Refresh me. GDP growth in this budget is how much? What percentage figure is that?

Hon. Mr. Gantefoer: — Okay. Thank you for the question. The nominal GDP was 9.8 per cent, and the real GDP growth was 2.9 per cent. And the way I can understand this best is the real GDP is the volume, the actual output and the nominal GDP is the value of that output. So that is a higher number — so 9.8 for nominal, 2.9 for real.

Mr. Van Mulligen: — The nominal would be much larger than the real GDP because the nominal takes into account values and significantly oil and I guess potash and natural gas in this budget.

The question I have is, we're looking at — what? — a seven and a half per cent increase in this budget over the previous year if we portion out the, I guess what might be termed one-time funds for infrastructure, although phrasing it that way might cause some concern for interests in Saskatchewan who think that this increase in infrastructure will be an ongoing investment on the part of the government. But I'm straying here.

What we're looking at is a seven and a half per cent increase in expenditures, roughly. Is that true?

Hon. Mr. Gantefoer: — The base amount is seven and a half per cent. In addition to that, there's two and a half per cent on the infrastructure investment, so arguably for a total of ten. Last year the amount was 9 per cent without the extra infrastructure expenditure, and 8.4 per cent the year previous. I also would indicate to the member is that in realizing the 7.5 per cent base increase, that also includes realizing the vast majority of our campaign promises that also are included in those numbers. So the general trend, even including the campaign commitments that we made and were honoured in this budget, is actually down from the previous year.

Mr. Van Mulligen: — I agree that 7.5 is less than 9 per cent, less than — what was it? — 8.4 per cent the year before that. But having said that, I just want to draw our attention back to GDP and that real GDP growth is 2.9 per cent. So our economy expanded by 2.9 per cent. How can we sustain this level of expenditure growth down the road, given this increase in the real GDP, recognizing that the nominal GDP value of 9.8 can come crashing down rather quickly if there should be any reduction in oil prices, as an example. How can we maintain this level of expenditure growth?

Hon. Mr. Gantefoer: — Well the simple answer for the member is we can't, and it was one of the concerns that we had when we became government. And we looked at the rate of

increase that was occurring, and quite frankly, we said that that was a great concern for us going forward. We also quickly realized and perhaps inherently knew is that you're not going to turn the ship of state around overnight, or it isn't a sports car that'll turn on a dime.

And so we believe the important approach that we have to have is to move from that 8.4 and 9 per cent increases to in this first year — honouring our commitments that had a significant percentage of increase — down to 7.5 per cent. And we're moving. And as we committed to in our forecast in the out years is to continue to reduce that so that we approach the long-term inflation rate.

And so it isn't something we can do overnight. If you did, it would be very, very difficult for the system to take that kind of an adjustment in one budget cycle. So we believe it'll need two or three budget cycles in order to work our way down to a more sustainable rate of increase in government expenditures.

And we've set our path in that direction, and we will continue to work our way in that direction until we get it much more in sync with the ongoing rate of inflation.

Mr. Van Mulligen: — Based on your comments then, there should be a reasonable expectation that expenditure growth will diminish in each of the next three years.

Hon. Mr. Gantefoer: — That's right.

Mr. Van Mulligen: — I want to . . . And I don't have a lot more questions. These are some questions that I just need to work my way through here. The entrepreneur tax credit, did you float the notion of something called an entrepreneur tax credit?

Hon. Mr. Gantefoer: — Thank you to the member for that initiative. As the member will be aware, in terms of some of the tax policies of our provincial government, that they are in essence implemented and administered by Revenue Canada. And so when we came, approached Revenue Canada with this proposal for the enterprise tax credit of \$10,000, the federal government refused to administer such a program for the province, and so Revenue Canada refused our request to have this initiative realized through the tax system.

And so because of that refusal, in order to come up with a way of incenting entrepreneurs in a way similar to this in another fashion, we have given this to Enterprise Saskatchewan to come up with an idea that embodies the spirit of what we were trying to accomplish in terms of this tax credit for entrepreneurs and do it in a way that is going to be acceptable to Revenue Canada and to those kinds of authorities so that the spirit and the intent of the initiative is realized in a way other than requiring Revenue Canada's approval.

Mr. Van Mulligen: — So the federal government is refusing to administer this tax credit. Were you able to consult them prior to making this commitment?

Hon. Mr. Gantefoer: — I can't honestly answer if there was levels of consultation prior to the developing of this idea in the platform with Revenue Canada. Quite frankly I would rather doubt it. I think this was an idea that was made to indicate a

spirit and intent to incent entrepreneurs for establishing businesses in our province, and the nuances of the relationship with Revenue Canada I'm sure were not fully explored prior to it being included in the platform.

Mr. Van Mulligen: — Will you be providing Enterprise Saskatchewan with options with respect to this, or is this an open-ended invitation to them to examine this and to see what they might advise you?

Hon. Mr. Gantefoer: — I think that in terms of the direction would be is to ask them to find a way to come up with an incentive program of some sort that gets the spirit and the intent of the \$10,000 tax credit made available to entrepreneurs in the province, and so we would give them pretty broad latitude in terms of what they would recommend. But we certainly would want them to move in the spirit of the intent of this program, so that we find a way of incenting entrepreneurs to establish and maintain businesses in the province.

Mr. Van Mulligen: — And again, this is a tax credit for one year, a number of years, ongoing?

Hon. Mr. Gantefoer: — Well it is not going to be administered by Revenue Canada. They're not going to implement the program. So it might end up being in another form entirely that accomplishes the same objective as what is envisaged in this program.

Mr. Van Mulligen: — I guess the question I'm getting at, is this meant as a one-time tax credit or was it meant as an ongoing or short-term, a number of years? I'm not really clear on that.

Hon. Mr. Gantefoer: — I will ask my official to give you the details.

Mr. Srinivas: — Mr. Chair, as described in the platform, our understanding is that the intention was to introduce an income tax exemption equal to \$10,000 for each year that an individual claims self-employment income while they were under the age of 30.

Mr. Van Mulligen: — I'd like to ask a few questions about the PST. One is the cost of processing and administering the collection of the PST. Are you able to provide . . . I don't need the details especially tonight. If you can, that would be helpful but it's not necessary.

Hon. Mr. Gantefoer: — If it's sufficient, member, we can commit to providing this information in detail for the committee. And I believe there's certain rules in terms of the tabling of information, that there's sufficient copies for all committee members. And if it's okay with the member, in the interest of time, we would commit to provide you with that detailed information.

Mr. Van Mulligen: — Thank you very much. While we're at it, can you also tell us what class of used vehicle qualify for the PST exemption? How much money this will cost the treasury? Well here's a question that I guess is less about figures than a question about . . . Why are out-of-province vehicles being excluded from the exemption?

Hon. Mr. Gantfoer: — Some of the details of that question perhaps, member, we will provide it in addition to our written response.

In terms of the concept behind what is taxed and not taxed, vehicles entering the province, if they're used vehicles or new vehicles, have to have the tax paid on them once. And so there is the one-time requirement of tax to be paid on vehicles entering the province. If they're coming from Oshawa or Edmonton, they're treated similarly. And then the tax is calculated on the difference after that, right.

I'm further made aware that the best estimate that we have at the present time since we're not into a full year, but we are making the best estimate we can, would be \$32 million.

Mr. Van Mulligen: — Roughly what percentage of all the vehicles — used vehicles — that qualify for the PST exemption in Saskatchewan would be out-of-province vehicles and therefore excluded?

Hon. Mr. Gantfoer: — Again my ministry officials tell me they don't have that specific detail of the proportion of vehicles with us here tonight, but we would definitely undertake to provide that information for the member with the other information requested.

Mr. Van Mulligen: — Thanks very much. One final question in this vein . . . well it seems like in this business there's never a final question. Returned leased vehicles will have unpaid PST left on them. What is the subsequent process for collecting the remaining balance of the PST?

Ms. Johannsson: — Returned used vehicles are not considered tax paid, so they're not eligible for the reduction.

Mr. Van Mulligen: — Right. I think that concludes, well that does conclude the questions I have for the minister and his officials, Mr. Chair. At the outset, let me thank you and the other committee members for your indulgence and your hospitality. I appreciate that. I also want to thank the minister and his officials sincerely for taking the time to be with us tonight. Hopefully, hopefully have made it interesting enough that some who are doing channel cruising might have stopped in from the hockey game. I don't know if they have, but certainly I found it to be a very enjoyable evening. Thank you very much.

Hon. Mr. Gantfoer: — Thank you very much, member. And I certainly appreciate the questions from your caucus. And, Mr. Chairman, I also would stand ready if other members have questions to answer them if I could. Quite often government members take the opportunity to get me on the record in public. And I know it's a certain risk that I'm taking, but we have a little time left. So if that's appropriate I would also entertain questions from other members.

The Chair: — Thank you, Minister. We do have, I believe, a couple of other members that had questions. I would just ask before we get to that member just two things. If you could, Minister, just identify who the last official that spoke just so that we can get the name for the record, and also any answers that you're going to provide to committee members later, if you

could make sure that you provide 10 copies for the members of the committee.

Hon. Mr. Gantfoer: — Thank you very much, Mr. Chairman. We were joined by Margaret Johannsson, the assistant deputy minister in charge of the revenue division, so her expertise on the money being collected is very much appreciated.

The Chair: — Thank you. And Mr. McMillan.

Mr. McMillan: — Thank you, Mr. Chair. I'd like to start off by thanking the minister and the officials that have come with him. We appreciate the time you're spending with us tonight. I have a couple comments just from the questioning that's gone on thus far, and then a couple questions I'd like to follow up with. Thank you.

First of all, I represent the riding of Lloydminster which shares the border with Alberta, and some of the earlier questions from the members opposite were addressing where we ranked in Canada. And in my riding it is very apparent when tax rates are different on one side of the border or the other that, you know, the number of permutations it has as to where businesses have located or even where individuals choose to reside. So the fact that that's, the income tax is something that may be reviewed in the future, would certainly be welcome.

My first question is, Mr. Minister, as everybody knows, Saskatchewan is growing in terms of our population and economy. I am and I believe most of my constituents are excited about the growth and the wonderful opportunities that will come with our growth although, Minister, many people are concerned as well because they have watched and continue to watch the ups and downs of our neighbours, Alberta. And so, Mr. Minister, the question I and the other residents of Saskatchewan have, what is this government's first budget doing different from what we have learned from the Alberta experience?

Hon. Mr. Gantfoer: — Well thank you for the question, member. Certainly I think your proximity to the Alberta border in terms of Lloydminster has a rather unique role in the province. Certainly I had the opportunity to visit Lloydminster in the post-budget tour that I did, and it was very apparent from the people at the meeting that they were indeed at the forefront of the interface between Alberta and Saskatchewan, and nowhere in the province is it sort of more obvious, the differences in our economies than in your city and in your constituency.

I think that it was also interesting that the member of the Alberta government in charge of the Treasury Board was at the meeting, and it was good to actually be able to sit at the table with an Alberta minister charged with Treasury Board and to get his perspectives on some of the issues facing Alberta in terms of the Saskatchewan experience as compared to theirs. And certainly he was one of the voices that sort of validated the fact that it was important for us not to forget about our infrastructure investments.

And I met with an oil company in Calgary a few weeks prior to that. And they are very active in the Lloydminster and Kindersley area and also in the Bakken area around Estevan.

And one of the concerns they expressed was on the road infrastructure because the oil coming out of the ground doesn't magically get to a market. By and large it's transported by trucks and tanks away from the actual wellhead collection point to the refineries and things of that nature. And they were very concerned about the impact that that traffic was having on the roads in the municipalities and in the area. So I think it's very important to acknowledge that advice in a practical way.

It was interesting that this company even suggested that they'd be willing to consider something perhaps like P3 [public-private partnership] investments that would look at the companies being involved actually in the investment in this infrastructure with the province and municipalities and that that may be something that will allow us to actually lever our opportunities for infrastructure investment and actually get greater value than we could with just our own dollars.

So one of the topics that we're going to explore on our trip out east to New York and Toronto is exactly to try to begin to understand in some detail how these P3s might be working in other jurisdictions because we don't want to just move fool heartedly into this area, but we think there might be some good opportunities for us in that area.

And certainly our budget, I think, has been received very well in terms of the focus on infrastructure. That's not necessarily going to be something that we're going to have the same emphasis on going forward. But it's an ongoing challenge. The deficit was significant. We have to take pretty aggressive steps not only in this budget cycle but in future ones to move forward.

Mr. McMillan: — I do have another one, Chair. Thank you, Mr. Minister, for that answer. I would, just in follow-up, like to applaud the decision or the investment made in the infrastructure. And you're right; my area of the province has heavy oil which is all trucked and the infrastructure piece to get that oil to market is paramount.

My second question, Mr. Chair, if I could place that. As you know and all MLAs know, many people are sceptical of politicians. I can see why people are sceptical because Saskatchewan has come to be known that their politicians are known for broken promises after the previous government. I can tell you, Minister, that on occasion people come up to me and tell me they just want a government that keeps its promises. And so, Minister, I would like to know what campaign promises is this government keeping through this budget?

Hon. Mr. Gantfoer: — Well thank you for that as well, member. Certainly when we went into the preparation of this budget, there were a couple of things that we had to ask ourselves. What was our priority going to be? And certainly we've responded to questions from the members of the opposition in terms of outlining the advice we received on infrastructure investment and the need to make up that deficit.

We also said that we thought it was important because we made a significant number of promises and commitments during the campaign, some of them which are legislative in nature. And we're in the process of realizing them; for example fixed election dates and things of that nature have to be embodied in

legislation. They're not part of the budgetary cycle.

There are some things that we found that at this stage it was going to be impossible in the way we envisaged it to honour those commitments, and I again refer to the questions that were addressed by the opposition earlier on the entrepreneurial tax credit, that we weren't able to realize them in the way we had intended. And so we're searching for another way to make that incentive work. But we did realize in over 40 promises that we had made that we actually kept, and I think that that's a significant and very important thing to send as a message to the people of Saskatchewan.

You know, I recall in the past when the member, the Finance critic for the opposition, was the minister of Finance. Right after an election they increased the provincial sales tax by one percentage point. And when interviewed about why that was not discussed in the campaign, you know, the answer from the member was quite straightforward, and I think factual. He said well that wouldn't be a good thing to talk about in a campaign because promising to raise taxes was not very popular. So there was nothing said about it in the campaign, and it occurred very quickly after that event.

And I think that those are the kinds of things that very clearly create the cynicism in politics. So we felt it was very important to, as early as we could in our mandate, to realize as many of the campaign promises as were possible, and we were very proud to stand with this budget and announce that fully 40 of them have been realized. The budget document also provided a very small card that specifically outlines all of them, and I won't in the sake of brevity go through all of them individually, but I'd encourage people to go to the website and have a look. And I think it's a very important component of this first budget of the Sask Party government.

The Chair: — Mr. Yates.

Mr. Yates: — Thank you very much, Mr. Chair. I have a number of questions that I'm sure will eat up at least the remaining time. My first question has to do with . . . earlier my colleague as he was discussing the Fiscal Stabilization Fund, many of the characterizations of that fund were that in fact it was very similar to the previous fund in its practices and its characteristics. Now, Mr. Minister, prior to the provincial election and in your election platform, clearly your party indicated that they would be doing away with the Fiscal Stabilization Fund. Could you indicate for us how that would result in — your opinion today — a promise kept?

Hon. Mr. Gantfoer: — Thank you very much. We certainly acknowledge that there was value in the basic concept of using a Growth and Financial Security Fund or something of that nature — insofar as it was actually funded — that it had merit in balancing a potentially, wildly fluctuating, resource-based economy.

I'd point out to the committee that this fund, the former fund, the financial stability fund or . . .

Mr. Yates: — Fiscal Stabilization Fund.

Hon. Mr. Gantfoer: — Fiscal Stabilization Fund — thank

you — was only first funded in January of 2007. Prior to that it was like having a debit card or a credit card that would be used to rack up debt in order to nominally balance the General Revenue Fund.

And certainly you can do that. When you make the analogy and the comparison to a family's income, it's certainly true that if a family gets into financial difficulty with their income, you certainly can go and rack up charges on your credit card in order to nominally balance your family budget. And so you can make the claim that you have a balanced budget. The question is, how did you balance it? And if you're using the credit card to balance it, we think that that is a very dangerous practice long term for the province. And it is certainly correct we were critical of that practice.

What we have committed to do is to have a fund that is fully funded, that actually has cash in it that's available to balance gyrations in the provincial economy. And in addition to that, we have some important features, one of which that we discussed with the member that said that we need to establish a fiscal accountability and a discipline for Treasury Board. We have to ensure further that there is going to be a relationship of the limiting of the growth of the size of government to some relationship to the growth in the population.

But very importantly, it also prescribes that if we have surpluses going forward in the future, it prescribes a discipline that I think is a very important signal, not only to our citizens, to bond raters and the province's bankers, that says quite clearly if there are surpluses in the future — and we certainly hope and expect and will welcome surpluses into the future — that half of those monies will go to pay down long-term debt because that is another one of those competing good ideas and that monies will be available through the growth and financial stability fund in order to do strategic investments like infrastructure. And I think that's important as well.

And it's particularly important considering the deficit that was left and the crumbling roads and leaky school roofs and shortage of equipment and proper facilities in the health care field. We think that's an important endeavour for governments to embark on, and we're very proud of the fact that this budget has indeed provided a vehicle for that to happen.

Mr. Yates: — Thank you very much, Mr. Chair. I'd just like to ask a question for clarification for the public and for the people of Saskatchewan. At the time you published your election promises, was the Fiscal Stabilization Fund fully funded?

Hon. Mr. Gantefoer: — At the time, as I indicated, the Fiscal Stabilization Fund was fully funded in January 2007, so at that time of the campaign prior to the election in November, it was fully funded.

Mr. Yates: — Thank you very much. And, Mr. Chair, my next questions go to a series of questions dealing with information that is being talked about both in the press and in the province of Alberta most definitely that could have an impact on Saskatchewan's future financial position.

We have today the Premier of Alberta indicating that with the new government we're likely to see the new government sign

on to the Trade, Investment and Labour Mobility Agreement between British Columbia and Alberta, which could have impacts on the province of Saskatchewan and its long-term financial position.

First off, Mr. Minister, is that the intent of the Government of Saskatchewan, new Government of Saskatchewan? And secondly, if so, what do you foresee is the revenue implications of signing on to such an agreement?

Hon. Mr. Gantefoer: — Certainly there has been discussion in the past prior to the election. There was an all-party committee of the legislature that investigated the whole issue, the appropriateness of the TILMA [Trade, Investment and Labour Mobility Agreement] agreement and its impact on Saskatchewan, and specific detail was spent on this whole issue.

There were witnesses that were invited to Saskatchewan to appear before the committee from Alberta and British Columbia. I wasn't a part of that committee specifically, and perhaps the member was. And so then you would realize that there was a fair bit of work and information gathered by that committee in the past year, I believe it was, member, that this occurred.

And my recollection of the result of all of that work . . . and it included representatives from the governments of Alberta and British Columbia, I believe, who gave interpretations or opinions as to how their governments may regard an invitation or a request by Saskatchewan to join this arrangement. And as a result of those discussions . . . and I believe in fairness to the committee, they were quite extensive, and correct me if my interpretation of the result of that was incorrect. But it was my understanding that the recommendation of that committee is that Saskatchewan would not participate in signing onto the existing TILMA arrangement per se.

I think that there will be, going forward, opportunities on a sector-by-sector basis to look at opportunities for improved trade in efficiency between our two provinces, but I think that the issues and the concerns that were identified by the committee have to be respected and have to be acknowledged. And as I recall it, there was pretty unanimous support for the final recommendations and position of that committee. And we certainly as a government will respect that.

We have also said as a province that we are going to be interested in participating in discussions not only with Alberta or British Columbia, but the invitation was also extended to Manitoba and talking about what our Premier has characterized as the new West. We think that there is indeed an economic shifting of power, if you like, in this country from the East to the new West, and certainly that is a concept that we very much support. We think there are real opportunities to discuss enhanced opportunities between our provinces.

I think there was an invitation by Premier Doer in Manitoba that perhaps there could be some joint meeting occur in conjunction with the Grey Cup rivalry that goes on and something of that nature may indeed be well appropriate. We're not sure where that's all going to head into the future, but I certainly am looking forward to when the session is over, to take the opportunity to meet face to face with my counterparts in

Manitoba and Alberta and British Columbia. Certainly I think we share more issues in common than we have degrees of separation. And so I look forward to those opportunities and going forward.

I think the concept of our role in the new West is going to be important. It may well be that instead of Saskatchewan always playing catch-up as it did under the previous administration, we actually can take a leadership role in the new West.

I'm encouraged by some of the rating agencies from banking institutions who look at Saskatchewan very, very favourably. I think as late as today there was an article posted by a lending institution in their analysis of Saskatchewan's economy that were very, very favourable indeed. And I think as time goes on we're going to see that continue, and I will be very proud to be of a team that takes its rightful role of leadership in the new West.

Mr. Yates: — Thank you, Mr. Chair. It would seem that our time has expired for questioning this evening. I would expect that we will not have an opportunity once again to ask questions.

Once again, on behalf of members of the opposition, I'd like to thank the officials and the minister for answering our questions.

The Chair: — Thank you, members. And I want to thank the minister and his officials for appearing this evening and for the members that took part in the committee. So thank you, Minister, and to your officials.

At this point, we'll adjourn consideration of the Finance estimates and recess until 8:30 later this evening. Thank you.

[The committee recessed for a period of time.]

**General Revenue Fund
Public Service Commission
Vote 33**

Subvote (PS01)

The Chair: — Welcome back, committee members. The item of business before us is the estimates for the Public Service Commission. It can be found on page 121 of your Saskatchewan Estimates book.

Minister Elhard, welcome to the committee. At this time before you get into your . . . if you do have an opening statement, I would just ask that you introduce your officials. And if your officials could identify themselves if they answer any questions just for the first time so that we can . . . for the benefit of the members, we know who's speaking. So, Minister, welcome and if you could introduce your officials at this time.

Hon. Mr. Elhard: — Thank you, Mr. Chairman. It's a pleasure to be here tonight, and I thank the committee for giving us this time to cover the estimates for the Public Service Commission. I think there's some good work that has been done. There's probably more to be done this evening, and we're looking forward to the opportunity of answering questions this evening from the committee members.

I'd like to begin by introducing the officials from the Public Service Commission. To my right is Clare Isman, Chair of the PSC [Public Service Commission]. To my immediate left is Rick McKillop, assistant Chair, corporate HR [human resources] management and employee relations. Karen Aulie is to our far left. She's the assistant Chair of human resource client service. Behind us we have Lynn Jacobson, executive director, corporate services and payroll. Don Zerr is in the back row, director, labour relations. And Ken Ludwig, director, organizational development and strategic initiatives.

The Chair: — Thank you, Minister. Public Service Commission, vote 33, central management and services (PS01), at this time if you have an opening statement, you can make that and then we can move to some questions.

Hon. Mr. Elhard: — Thank you, Mr. Chair. I'll take this opportunity to make a statement. I have several opening remarks before we take questions.

But first, I'd like to provide some information on the nature and work of the Public Service Commission, which is the Government of Saskatchewan's central human resource agency. The Government of Saskatchewan is committed to ensuring our province is ready for growth. The ministry programs and services that support this commitment are delivered through the public service as government's human capital. Attention to people management is paramount to organizational success and has never been more important than it is today.

Through the 1980s and 1990s when recessions, downsizing, an abundance of skilled labour were the norm, financial management emerged as the critical priority. Today, however, Saskatchewan is facing economic growth coupled with labour shortages. As a result, we must now ensure we also focus attention on people management so that we can attract and retain talented, engaged employees to continue to provide programs, policies, and services to the people of our province.

For any organization, and particularly a large and diverse one such as ours, it is important to have a clear plan that does at least three things: enables us to understand the trends that affect us, establishes and acts on a clear vision for our workforce, and results in a high performing organization.

The corporate human resource plan guides the actions of the Public Service Commission. This plan, developed by the PSC with support and input from ministries, has two goals. One, the Saskatchewan public service has a diverse, talented, innovative, and dedicated workforce. And two, the Saskatchewan public service has a healthy, productive, and collaborative work environment.

Programs and services provided by the Public Service Commission are aligned with government priorities, including adhering to The Public Service Act which provides for an independent and professional public service; monitoring and reporting the size of the public service; ensuring the promotion in the public service is based on merit, not patronage; providing professional development opportunities for public servants; and helping to educate, recruit, and retain the next generation of public service leaders.

The primary role of the PSC is to enable ministries to achieve government's priorities through the people who work for us. In order to recruit and retain a qualified and professional public service, executive government must be, and be seen to be, an employer of choice, with challenging work in a supportive environment, opportunities for personal and professional growth, work/life balance, quality management and leadership at all levels of the organization, and competitive compensation. The work of the PSC is directly in support of being such an employer.

I'd like to now touch on the direction of the Public Service Commission. This past fiscal year has been a time of significant change for the PSC. Previously staff and human resource branches were employees of the various ministries they served. Last year all human resource staff were consolidated under the PSC. The new organizational model is designed to ensure human resource services and how they are delivered, that they're focused on the client; strategic human resource initiatives are a government-wide priority; effective and efficient human resource systems and processes are in place; mitigation of risk is enhanced; human resource policy and practices are consistent across the public service; and human resource capacity is increased.

Under this new model, Mr. Chairman, the public service can also better demonstrate financial accountability for the HR management function through clear objectives, transparent and measurable resource utilization, and measurable outcomes.

A second organizational change is also under way. The government is providing funding to centralize HR and payroll transactional services. This model has been successfully implemented in other large and complex organizations. It will see day-to-day payroll operations and HR payroll system centralized under one division and in one location. The new payroll service delivery model will also ensure greater control of payroll and enhanced data integrity. It will achieve greater consistency in the application of HR and payroll policies and processes across the public service. It will facilitate the required training and development of HR administrative and payroll staff. It will minimize redundancy and take advantage of economies of scale. And it will provide all employees in the public service with better access to service.

Now we're very excited about these initiatives — the consolidation of human resource services and the centralization of payroll and the impact both will have on reshaping human resource delivery in the Saskatchewan public service.

Moving on to details of this year's budget for the Public Service Commission, we have the following to note. The transfer of human resource branch staff from ministries to the Public Service Commission has led to an increase in the PSC's budget for 2008-2009. This is not new money, however; it's simply reallocated within government and totals \$15.1 million.

The Public Service Commission received additional funding to proceed with the project to centralize the human resource administration and payroll functions. This three-year project was initiated under the previous administration and is supported by our government. The amount for that is \$6.7 million for this fiscal year.

The Public Service Commission received funding to support the Johnson-Shoyama graduate school of public policy to assist in professional development opportunities for public servants and to help educate the next generation of public service leaders in our province. That investment is worth \$250,000 this year.

Further, the Public Service Commission was allocated a funded permanent position for an Aboriginal recruiter to promote the public service to Aboriginal job seekers and promote Aboriginal job candidates to hiring managers. We have allocated \$80,000 for that position. There were also program changes, including the elimination of central funding for the Aboriginal Career Connections internship program, which amounted to \$546,000; recruitment and retention of persons with disabilities program, \$206,000; and the central coordinator role for diversity, \$97,000.

Now I appreciate that there have been concerns about these program changes, and I would like to be very clear that the cuts only affected the central coordination of the programs and the salary subsidies from the PSC [Public Service Commission] to the ministries employing these various individuals. The 12 interns in the Aboriginal Career Connections program have kept their jobs, as have the seven people hired under the recruitment and retention of persons with disabilities program. The program coordinators have been redeployed to other roles in the Public Service Commission, where their expertise will continue to be of value in achieving our diversity goals.

In addition the Public Service Commission now has a full-time permanent Aboriginal recruiter. This is the first time government has provided permanent funding in this area, and we are confident that this will help the public service effectively market jobs and attract Aboriginal candidates. The Government of Saskatchewan recognizes the value that diversity group members bring to our workforce and remains committed to building a workforce that is representative of the province's population.

Program changes and re-evaluation happen every year to ensure the most effective and efficient delivery of services within government and to the people of this province. We believe that we can accomplish our goals by doing business differently.

The PSC will continue its focus on diversity and will achieve a representative workforce by leveraging the time and commitment of human resource professionals and by working collaboratively with ministry management. Diversity is a management goal, owned and supported and embedded as a management practice. The Public Service Commission has always and will continue to assist ministries in finding diversity candidates, exploring job opportunities, and addressing accommodation needs.

In closing I believe that overall, this 2008-2009 PSC budget lays the foundation for the Public Service Commission to continue to move forward on the key goals and objectives as outlined.

We remain committed to a diverse, talented, innovative, and dedicated workforce in a healthy, productive, and collaborative work environment. And our expected outcomes will be realized, Mr. Chairman. I am confident of that. We look forward to the

coming year and remain certain that we will continue to ensure that Saskatchewan has the finest public service in the country, a public service that is vital for the smooth functioning of government and for getting ready for continued growth in the province of Saskatchewan.

Mr. Chairman, I am now pleased, along with my officials, to answer any questions the committee may have. Thank you.

The Chair: — Thank you, Minister, for your statement. Ms. Atkinson.

Ms. Atkinson: — Thank you. And welcome, Minister. Welcome to the officials. Minister, you spoke glowingly about your intention to recruit and retain young people to the public service in order that it can be a career choice for young people. What is your definition of a career?

Hon. Mr. Elhard: — I'm not so sure that I have a personal definition of the term career. I think frankly it varies considerably from what the common expectation for young people is today. I'm finding that the values that my generation placed on jobs and careers were different than many young people are enunciating today.

I think, if my understanding is reasonably correct, that young people today are looking for a place where they feel they can really contribute to the effectiveness of the organization, they have a chance to participate at a level where they will be recognized for their positive contributions, that they will have opportunities for advancement, that they will enjoy flexibility in the workplace, that they will find remuneration reasonably attractive.

I think the prospect of a career being a one-job opportunity for life is no longer the norm. And so I'm thinking that the definition of a career for a young person today is considerably different from what I knew 40 years ago.

Ms. Atkinson: — So, Minister, would a career in the public service mean coming into the public service as a young person and working in various ministries, various levels, maybe working your way to an executive director, maybe a regional manager, an assistant deputy minister, and maybe a deputy minister sometime? Would that be what we might think of a career in the public service?

Hon. Mr. Elhard: — Well you and I might. I'm not so sure young people would or wouldn't. I don't know that I could speak on their behalf. I think they would have reasonable hopes and aspirations of finding fulfilling employment, but I don't know that it's necessarily within the scope of expectation that they would anticipate spending their entire working life with one employer any longer.

Ms. Atkinson: — I see. Minister, what do you think young people who are presently working in the public service — maybe in the deputy minister's office, getting some experience — what do you think when they observe long-time deputy ministers, maybe 30-year deputy ministers or 35-year deputy ministers or people that might have 24 years in the public service or 38 years in the public service . . . What do you think they're thinking when they see people who aren't political, have

been long-time public servants, have never indicated one way or the other under various administrations what their particular political persuasion might be but they have loyally served the public . . . What do you think those young people are thinking when they see people like Bonnie Durnford fired, John Wright fired, Joan Pederson fired, Mr. Cushon fired, Jack Zepp fired, and so on and so forth?

What do you think they're thinking about when they observe this?

Hon. Mr. Elhard: — I think the member asks a question that is loaded with hypothetical possibilities. I can't put myself in a position where I could answer on behalf of anybody in that situation, and I don't think that anybody really could. I mean, all we can do is hypothesize and speculate, but I don't think we can answer with any certainty.

I think, however, that mature people will understand that there is likely to be some change at the senior level of government with any change in government, and I don't think that anything other than that would be unexpected. I just don't think that people are going to draw conclusions about the value of the work that is available to them in the public service based on the transition that happens when governments change.

Ms. Atkinson: — Well, Mr. Minister, I beg to disagree with you. And I disagree with you because there have been young people that have been brought into the public service from university programs, brought in with some fairly significant paper credentials, and given an opportunity to work in the public service. And I have to say, when they observe this, they're not sure about the notion of maybe someday being a deputy minister, an associate deputy minister, or an assistant deputy minister because of what they have witnessed. Not the political people, Minister. I'm not talking about those people. I am talking about long-term career public servants.

And I think in terms of recruitment and retention of young people to the public service, that when they see this in the public service, they find it surprising, particularly when they look to places like Alberta which has a public service that's classified, that people go through a competitive process to obtain jobs. And they're not necessarily seeing that here in all cases. And so I guess I'm interested in knowing, is the public service still going to interview associate deputy ministers and assistant deputy ministers, or is it your intention to take these positions out of the classified public service?

Hon. Mr. Elhard: — I appreciate the question, and I think I could have answered it pretty directly. We have no intention of removing the competitive process from the selection activities for positions at those senior levels.

Right now we're actively involved in interviewing people for a variety of senior positions. And I've been following the ads in the newspaper — the career ads. I spend some of my weekend . . . Having been an individual who spent quite a bit of time in the personnel business myself, I'm always interested in the ads that are displayed in the career section on weekends. I've been following with some interest the ads that the Saskatchewan Public Service Commission has been placing, and a number of them have been at very senior levels. And the competition

process is alive and well, and I believe working effectively.

Ms. Atkinson: — What relationship does Mr. Dedman in the Premier's office have with your ministry?

Hon. Mr. Elhard: — To my knowledge there has been very infrequent conversations on a personal level between Mr. Dedman and the commission. But they have not been directive in my understanding, and they have not, not as far as I know, required any action on behalf of the Public Service Commission.

Ms. Atkinson: — So as I understand it, Mr. Dedman is recruiting people to the public service according to the Premier, and I'm wondering how does that square with the role and function of the public service as a central agency.

Hon. Mr. Elhard: — Madam member, I'm informed by the Chair of the Public Service Commission that for candidates that might be recruited by Mr. Dedman, the Public Service Commission would be prepared to work with him in a collaborative sense, that he would forward candidates to them. They would work to find the qualified candidates in a competitive situation and eventually find the appropriate people for those senior positions.

I would not characterize Mr. Dedman's role as the individual who hires. He is a conduit through which some, some applicants come forward.

Ms. Atkinson: — So what can the Public Service Commission expect should Mr. Dedman send a candidate or candidates to the Public Service Commission and those candidates aren't placed in those positions? So say the Public Service Commission, which is an independent agency, it's not to be politically interfered with . . . But should Mr. Dedman's candidate not pass the Public Service Commission's test for a position in the public service, what can they expect from the Premier's office if they don't follow up on Mr. Dedman's recommendation?

He's sending someone there. It's coming right out of the Premier's office. That's kind of a big message. You know, maybe you want to hire this guy. But if the Public Service Commission decides not to, what are the consequences? Is that pressure or isn't it pressure, or what is this?

Hon. Mr. Elhard: — I think the question is highly hypothetical, frankly. You know, the process for hiring individuals for the government is pretty clearly outlined in the legislation that governs the Public Service Commission. I think that the role that Mr. Dedman plays is, from my understanding, as limited as it is, is that of a conduit. If there are people who are interested in employment with the provincial government through the public service, if they talk to Mr. Dedman, he forwards their resumé. If they're deemed suitable and practical candidate for positions that are available, they'll be taken under consideration and advisement by the Public Service Commission.

I don't think the process that the Public Service Commission is undergoing now in terms of hires for the public service is any different than it might've been under previous administrations.

And I think there's probably a great deal of similarity between what is happening now and what has happened in the past.

Ms. Atkinson: — So who knows about Mr. Dedman in the public? I mean how would you get referred by Mr. Dedman to the Public Service Commission?

Hon. Mr. Elhard: — You know, Madam Member, you seem to know more about Mr. Dedman than I do. I only knew of his name in the last couple of weeks, so I can't answer a lot of the questions you're asking. But, you know, I want to assure you as a member of this House and this committee that Mr. Dedman is not the only source from which resumé are obtained.

As I indicated, many of the positions that we're recruiting for have been publicly advertised. I know people personally who have said to me, I've seen your positions advertised; how do I apply? Well the information for application is right in the ad, but if you want the name and phone number of the Chair of the Public Service Commission, I can provide that, and I do. I have on a couple of occasions recently for people at very senior, what would be vice-president or an ADM [assistant deputy minister] level position and some at much more junior positions.

You know, there's a lot of people who are quite excited about the prospect of working for the public service and think they have much to contribute, and we're excited about their sort of deliberate interest in the public service. We think that there's an opportunity to bring some new and creative and exciting opportunities to people in the public service, to individuals who have never thought about this as a place of employment previously. We don't want to discourage anybody. So if there's the slightest indication tonight that the only conduit to the public service is through Mr. Dedman, I would want to lay that to rest right now.

If people are interested in coming and working with the new Government of Saskatchewan and with the public service that we so anxiously want to see as a desirable place to work, then they ought to contact us through the website, from which most of our applicants are obtained. In fact the vast majority — I think somewhere over 90 per cent — come through the electronic web. And if they want to talk to me personally or Ms. Isman or anybody here, I'm sure that any avenue will be gladly employed and gratefully received.

Ms. Atkinson: — So, Mr. Minister, your understanding of Mr. Dedman is he sends resumé over to the Public Service Commission. He doesn't have any interaction with the Public Service Commission. He doesn't do any reference checks through the Public Service Commission. That's his role. He just sends resumé over.

Ms. Isman: — Mr. Chair, Clare Isman, the Chair of the Public Service Commission. Madam Member, I think the relationship with Executive Council and the deputy minister of the Premier's office in today's environment is virtually the same as it was with the previous administration. We worked very, very collaboratively with Executive Council, particularly as it relates to the senior cadre of executive leaders in government, that that is the executive management team of government. And so when we're looking at candidates, whoever they may be, we will work in a very collaborative fashion like we always have.

And I think it's partly that people looking for senior jobs will often go there — to the deputy minister or the Premier's office, for example — as a starting-off point, as opposed to the Public Service Commission. The approach we've always taken is to please encourage them to approach the Public Service Commission as the independent agency of government. We will then talk to them about our recruitment processes, the merit-based process, the application process, etc., and then work through the system and the process as it's been outlined and as we adhere to it.

So, you know, once again it's just simply a continuing collaborative relationship that we've always had.

Ms. Atkinson: — Thank you. I certainly understood the relationship between the deputy minister to the Premier. In the former government's case, he was a career public servant and the Public Service Commission . . . So Mr. Dedman is on top of the deputy minister to the Premier. Is that the correct understanding?

Hon. Mr. Elhard: — Ms. Isman informs me that Mr. Dedman is an associate deputy minister. And in terms of the internal government organization, I can't comment on a lot of that. I stick to my bailiwick and I let them stick to theirs.

Ms. Atkinson: — So Minister, can you assure the public tonight, that there has been no interference, political interference, with any appointments to the classified service since you became the minister on November 21.

Hon. Mr. Elhard: — I will offer you the assurance based on my knowledge of the situation to date, that there has been no political interference. The reality is that we want to develop a keen and active public service. We want a fully professional public service. We believe in the merit-based approach to hiring, and we think that going forward, that is the only way to assure a professional public service.

Ms. Atkinson: — Thank you.

The Chair: — Mr. Yates.

Mr. Yates: — Thank you very much, Mr. Chair. I want to follow up on the same line of questioning my colleague has asked. I'd like to start by getting some understanding of what the impact on the public service has been during the transition period from the new government. So I'd like to know how many employees of the government have been terminated since November 21, 2007, without cause?

Hon. Mr. Elhard: — Mr. Chair, let me get your question repeated just so I am accurate with my response.

Mr. Yates: — Thank you very much, Mr. Chair. I'm interested in how many employees have been terminated since November 21, 2007, without cause.

Hon. Mr. Elhard: — The first move of transition I think involved about eight deputy ministers. And following that, there were 29 out-of-scope public service employees who were given notice of termination without cause by their deputy minister.

Mr. Yates: — Twenty-nine?

Hon. Mr. Elhard: — Twenty-nine.

Mr. Yates: — Thank you very much. So 29 in-scope, 8 deputies. Is that all the employees that have been terminated without cause since November 21, 2007?

Hon. Mr. Elhard: — It was 29 out-of-scope public service employees, not in-scope.

Mr. Yates: — Thank you. Have there been any in-scope employees terminated without cause?

Hon. Mr. Elhard: — To the best of my information the number of in-scope employees that lost their employment as a result of transition is zero.

Mr. Yates: — Thank you very much. My next question is, how many of those positions have been filled as a result of those positions that were left vacant as a result of termination? How many of those have currently been filled, and how many still need to be filled?

Hon. Mr. Elhard: — Mr. Chairman, I am told that we can provide you the information on the number of jobs that have been posted, but we don't have the information on how many positions have actually been filled at this point. We don't have that information with us.

Mr. Yates: — Thank you very much, Mr. Minister. Would you be able to provide that information to me or to the committee at a later date?

Hon. Mr. Elhard: — We will undertake to do that.

Mr. Yates: — Thank you very much. My next question has to do with the process used for filling these positions. My colleague asked a number of questions about filling up positions. Am I to understand from those discussions that all of those positions that have been posted, have been posted through the normal hiring process of government and are being filled using the normal staffing process?

Hon. Mr. Elhard: — The answer is yes.

Mr. Yates: — Thank you very much. My next question has to do with, how many severance packages have been offered to the — now it would be 37 — 29 and 8 individuals that were terminated as a result of transition?

Hon. Mr. Elhard: — Mr. Chairman, I'm advised that any information regarding severance packages for deputy ministers is more rightly pursued through Executive Council. We don't have that information. We're not likely to have it. The other 29 out-of-scope employees have all been offered severance packages.

Mr. Yates: — Thank you very much, Mr. Minister. My next question is, how many of those who have been offered, have accepted those severance packages?

Hon. Mr. Elhard: — I'm informed that 10 of the 29 have

accepted the severance packages.

Mr. Yates: — Thank you very much. Can I please have the estimate of the total cost of those severance packages?

Hon. Mr. Elhard: — Mr. Chairman, the information we have with us tonight suggests that the 10 settlements that have been accepted, severance settlements that have been accepted, the total value is approximately \$900,000. Just a little over that; actually it's \$905,000.

Mr. Yates: — Thank you very much, Mr. Minister. On the 29 packages, what is your estimate of the total final cost that that will be?

Hon. Mr. Elhard: — Mr. Chair, we don't have that information with us tonight, but there's some difficulty in even postulating what that number might be because it is subject to negotiation. There are common law standards. We're going to be as fair and reasonable with our employees as possible, and we would hope that we could come within a fairly accurate expectation or estimate, but we don't have the information available with us at this point.

Mr. Yates: — Thank you very much, Mr. Minister. Well the people of Saskatchewan would like to know this information, so when it is available to you will you undertake to provide that information to us?

Hon. Mr. Elhard: — Well absolutely we will do that, and of course as you're aware I'm sure, that there are reporting mechanisms in the public domain that must be adhered to, and we will be meeting our obligations in that regard as well.

Mr. Yates: — Thank you very much, Mr. Minister. My final question on this line of questioning has to do with, have there been any lawsuits brought forward as a result of these terminations to a court of law?

Hon. Mr. Elhard: — Mr. Chairman, the Public Service Commission is not aware of any legal action at this point. Any lawsuits that may be contemplated, I guess, is something in the future. We're not aware of that. Outside of the Public Service Commission, all we know about is what was reported in the newspaper. I think there was a story about one individual who was contemplating legal action as a result of his dismissal from Executive Council.

Mr. Yates: — Thank you very much, Mr. Minister. In my next line of questions, I'm going to go back to the issue of public service and hiring practices and the future of the public service and from a number of different perspectives. I'm going to talk about diversity. I'm going to talk about an aging public service and succession planning and a number of things over the next few minutes, Mr. Speaker.

But I'd like to start, Mr. Minister, by talking or asking . . . There have been concerns raised I guess, and I'm seeking some clarification and I guess some commitment from you, Mr. Minister. There's been a change in government which occurs in Saskatchewan as it does in any other jurisdiction from time to time. Many families and individuals are labelled one way or the other politically over their lifetime and careers. There are

families today that are concerned about their children perhaps ever being able to get jobs in the public service because of their involvement with the previous administration. There are concerns of people who worked for the previous administration will never be able to seek employment in the public service of Saskatchewan because of their having been identified with the previous government.

I'm seeking the minister's commitment that those types of activities will not occur as a result and that the children of those who may have been employed by the previous government or they themselves perhaps, if they seek employment in the public service of Saskatchewan, would get the same consideration others would.

Hon. Mr. Elhard: — You know, the reputation of a public service is really paramount in my mind and the mind of our Premier and of this government. And we think it's absolutely essential that we create a public service that is a preferred source of employment for people of the province, and we'd even welcome people from outside the province who want to bring their expertise to our fair province. And we would welcome their participation in providing service to the people of Saskatchewan.

I firmly and personally am committed to a professional public service. If you've gone back and read any of my comments when I was the critic for the public service, I think I made that argument pretty well repeatedly in estimates, the importance of having the professionalism of the public service not just recognized, but enhanced in any number of ways, some of which I repeatedly commented on as it relates to training. I thought that if we wanted to keep a qualified public service and engaged public service, we needed to make sure that they had opportunities for advancement and training and that we would as a whole, as a society, as an employer, benefit from those opportunities.

I still believe that we don't take full advantage of the creativity of our public servants as individuals. In many cases I think that we have missed opportunities to benefit from the skills and the creative thinking of our public service.

In my other capacity as Minister of Highways and Infrastructure, I have been delighted to find in the last few months how creative members of the Ministry of Highways have been. And I have been pleased to participate in ceremonies where we have congratulated people who've shown initiative and shown their creativity and have taken advantage of opportunities to use that creativity for the benefit of the Highways ministry.

So you know, I think the more we can stimulate the view that creative thinking and bright ideas are welcome in the public service, the more we can increase avenues of communication, the more we can challenge the skills and abilities of our public servants, the better off we're going to be.

So I guess, you know, that's a long-about answer to the question you asked. I really want to see a public service that is engaged, that is productive, proactive in many ways, and responsive to the citizenry. And I'm going to do what I can as the minister to achieve that goal.

Mr. Yates: — Thank you very much, Mr. Minister. I'm not sure I got the answer from that long answer for the question I asked. I guess in a very short yes or no answer, Mr. Minister, can the children of people who may have been labelled as supporters of the previous government or can people who worked for the previous government expect the same consideration and ability to seek employment in the public service of Saskatchewan as any other individual today, tomorrow, and in the future?

Hon. Mr. Elhard: — Well I can answer the member this way. I know personally two or three examples of people that would meet the qualifications that you have just indicated, and they are working in the public service, and they're doing so without fear because they are doing a great job on behalf of the people of the province.

You know the public service can only be regarded as professional if we not only hire but if we continue to keep in the hire of the public service individuals who have been hired initially on the basis of qualifications and competencies required to perform their work. I think that people who perform their work to the level of expectation should have no reason to be concerned about their employment opportunities with the provincial government.

Mr. Yates: — Thank you very much, Mr. Minister. That's the answer I was hoping to hear, and I think that there are a number of people out there in the province today that were looking to hear that answer. So thank you very much.

I'd like now to talk . . . or my next series of questions are going to be about the current situation in the civil service, the public service. Today can you identify for me what the average age of employment in the civil service is, or the public service?

Hon. Mr. Elhard: — To the best of my knowledge, and I'm going by memory, the average age in our public service is 44 years.

Mr. Yates: — Thank you very much, Mr. Minister. What plan do we have in place or what plan are you moving forward with to ensure that we are in fact going to be an employer of desire and choice, moving forward in a very competitive labour market? And what plans for succession planning are in place today to ensure that we have the very best professional civil service in Saskatchewan?

Hon. Mr. Elhard: — I am going to let Ms. Isman respond to that question in some detail, but I want you to know, Mr. Member, that my own desire for the public service is to see a greater emphasis placed on recruitment, aggressive recruitment of young people coming right out of post-secondary institutions, whether they be universities or technical schools because we as a public service have immense requirements for people with technical skills. We're not just looking for degreed people. We're looking for capable technical people as well. And the ability of government to provide the services that the people of Saskatchewan require is going to be dependent on us maintaining a strong representation in terms of the public service, that we have the people in place to provide the necessary inspections or permitting or policy development, whatever the case might be.

We are so concerned about the availability of qualified young people that that is one of the reasons why our government committed \$1 million of funding to the Johnson-Shoyama school of public policy of which the first instalment of \$250,000 was made in this year's budget. That is a show of, I think, more than good faith in our intention of developing a strong and qualified field of applicants for our public service.

Having said that, I do believe that in efforts to reach a younger quotient of applicants, we maybe have to look at different means to contact them. I would say that the young people today are rarely engaged with the printed media. I don't know how many young people ever pick up a newspaper and read the career section. I don't know that many of them would listen to AM radio to find out what's happening in their community. I don't know that communications that are available to young people are what we would readily accept as important areas of contact. But we're going to have to start looking at all those new mediums, all those new sources of contact for a younger generation in order to attract their attention.

Much is made of the Internet, but I don't know that . . . And as I indicated earlier, 92 or 3 per cent of our applicants come through the website that the Public Service Commission operates, which sounds like a fairly good response, but I'm not so sure that that's the only and best way. And I think we need to be much more aggressive on campuses in our recruiting initiatives. I think we need to maybe look at hiring recruiters, young recruiters who can talk the language of young people.

I think we need to be very novel and creative in the way we approach this issue because the labour shortage that is impacting this province is likely to become very significant, and we as a government will be affected in the same way as any other area of employment, any other service or business that is operating in this market. So I think we need to be creative. We need to be looking at all kinds of new channels and new opportunities and new ways of engaging a younger generation.

And so I guess I want the member to know and I want the people of the province to know that I take the challenge that's facing the Public Service Commission very seriously. And I know that the retention rate is more difficult to achieve in a hot market because people can move from job to job very readily. And when I was working as a recruiter a number years ago, I could hire an engineer for one company. And if he didn't like it, he could walk out the door, down the street, and get hired on with another company for a 15 or 20 per cent increase.

Those are the kinds of market conditions we might be facing in some very specific areas. And we need to be prepared to face those challenges, and we need to be equipped to do so in an expedient and appropriate way. So in terms of succession planning and the details around that, I'd ask Ms. Isman to respond in more specific detail.

Ms. Isman: — Thank you, Minister. I think Minister Elhard really has summarized a lot of what we are doing in terms of becoming much more active on the recruitment front, of really putting brand identity of executive government in front of the market, of being out significantly more aggressively than we ever have been in the community, talking one-on-one to potential candidates and talking about a career in the public

service at various levels and throughout the province.

I think the other piece in terms of succession . . . and this question about retention is equally as important as recruitment and branding, as we work really hard to create the kind of organization that we want to be and need to be in order for people to want to stay and work for us. And I think by articulating the values and the principles of our organization, of really being able to speak to our brand identity, of what's important to individuals to want to stay and work for us, of being committed, that we actually are that employer.

So those are the things that we're really focusing on. It goes from training and development and giving people access to job opportunities, promotional opportunities, if that's what they desire, the kinds of development they need both in terms of doing their current job as well as future jobs, as well as the compensation that they need to be able to stay, work life balance — those things that we talk about as being important to both future employees as well as our current employees.

And those are the things that are driving our recruitment strategies, our branding strategies, and how we're marketing executive government.

The Chair: — Minister, I see you want to make another comment.

Hon. Mr. Elhard: — I was just going to say that Ms. Isman said that so succinctly and so effectively I should have deferred to her right off the bat. But I think the Public Service Commission has heard the concerns of this government because I have enunciated them directly to Ms. Isman and other members of the Public Service Commission. But this is not a topic unfamiliar to them because, as I indicated earlier, we've had this conversation when I was in that chair and somebody else was in this chair, and we've had it repeatedly over the last number of years.

I think the Public Service Commission is fully aware of the challenges facing us as a preferred employer and are going to be very proactive going forward to meet the challenges of the labour market.

Mr. Yates: — Thank you very much. My next question has to do being an attractive employer for diversity candidates. It has been difficult over the years to attract and to be able to prepare workplaces to accept diversity candidates within the public service.

What is going to change? What has changed? And what can we expect out of the public service over the next number of years to tap into this large pool of available talent in the province that may have been overlooked in the past, may not have been — because the labour market wasn't as aggressive as it was — may not have been quite as attractive to access in the past as it may be tomorrow? What changes can we expect?

Hon. Mr. Elhard: — Well I think we want to take very seriously the obligations of a public entity to the diversity matters that you're raising. You know, diversity has been very much a topic of consideration and concern for at least the last 20 or 25 years. I believe that the Public Service Commission

has had in place programs and initiatives to specifically identify diversity as a desirable goal. There have been standards set.

The Saskatchewan Human Rights Commission has identified certain expectations of the Public Service Commission, and by and large we as a public entity have been able to meet some easier than others. We're doing reasonably well in terms of First Nation employment. We've come reasonably close to the targets that were established for the public service. We've been less successful, although we've had some modest improvements, in terms of disabled and people with physical challenges. In terms of visible minorities I think we're probably not too far off of our expected achievements or goals. So I think the public service has met the challenges reasonably well.

I'm also hoping though as a result of the 20-year effort that has gone into this initiative that it has now become second nature to our deputy ministers and our senior managers and other levels of management throughout the public service. I have every reason to believe that they as a whole, as individuals and as a group, will see their responsibility to these various groups that make up the diversity quotient. I think they will see their responsibility to them and will hire accordingly.

It is, I'm hoping, so well embedded in their thinking that when they have an opportunity, they will take the opportunity to hire one of these candidates, assuming of course that they meet the merit requirements for the position. And I'm hoping in some instances that these managers and deputy ministers and so forth will go out of their way to seek additional candidates that will help achieve these goals. I have every confidence in the management individuals in the public service, that they know their responsibility and their obligations in this regard, and they will pursue them with determination and with some enthusiasm as well.

Mr. Yates: — Thank you very much, Mr. Minister. I now am going to ask some questions specifically about programs to hire intellectually challenged people in the public service.

It was approximately 20 years ago when the organization for Community Living in Saskatchewan and the government undertook a pilot program to hire a number of intellectually challenged individuals into highways repair depots in Swift Current, Yorkton, Saskatoon, and other locations. Since then I'm not aware of any further movements to look to create opportunities for these individuals in the public service. It's a difficult area, but employment for people that are intellectually challenged is difficult to find.

We need to, in the public service of Saskatchewan, lead by example on some of these issues. And I'm wondering if there's any desire, I guess, or any motivation to move forward and try to seek out positions in the public service of Saskatchewan that could in fact be meaningful employment for individuals that are intellectually challenged.

Hon. Mr. Elhard: — Mr. Chair, if I might digress just briefly in response to your question. I was absolutely amazed. I was on a tour of a Ministry of Highways shop in Yorkton, and I was introduced there to a young fellow who was apprenticing as a mechanic. And the young fellow was totally blind.

Now I have reasonably good eyesight. I wouldn't attempt to qualify as a mechanic under any circumstances. To be able to do that with that — what we would normally see as an impediment to success — for him to overcome that and to undertake an apprenticeship program in heavy-duty mechanics, I thought was absolutely amazing. And I'll tell you what impressed me even more was the way he was welcomed and treated as one of the gang in that shop when we all broke for coffee and sat around and drank coffee and ate a few doughnuts. He was absolutely accepted.

Was that exceptional in the Yorkton instance? No because, as I understand it, he had a brother in a similar circumstance previously. And he had been so successful; the management there was prepared to take a chance on his younger brother.

Now to go more directly to your question, I was also in another shop while I was touring the Highways facilities in southern Saskatchewan and encountered a fellow working in that particular facility who had some intellectual challenges. And he was rather reticent to come meet me, and he was, well, downright shy. But I made a point of going and talking to him and just encouraging him and thanking him for the role that he played in that facility. And the contribution he was making was an important one, and I think he needed to know that.

You know, that's not the kind of anecdote that I think is unique. I believe that management of Government Services and operations throughout the province, when they have the opportunity, when they have the candidate who expresses an interest in assisting in their operations, although their capabilities may be limited by an intellectual disability, I think they'll do the right thing. I think they will look for those candidates and give them the opportunity to prove how beneficial and how helpful they can be to the role of the particular office that they're engaged in.

So while we haven't contemplated specific programs, just like any other category I believe, I have the faith that our management will look very favourably on those opportunities to hire those people. And if they haven't done so yet, I will encourage them personally.

Mr. Yates: — Thank you very much. Mr. Minister, under your leadership in the future would you support such a program?

Hon. Mr. Elhard: — Well you know, if we could design a program that would assure us of being able to create positions and have them filled by 20, 25, 50, 100 people, you know, I'm willing to look at that. But I'm not so sure that programs are the answer. I believe it's a matter of creating a culture of acceptance within the public service, and I'm expecting that every one of our managers hold to that culture already.

Mr. Yates: — Thank you very much, Mr. Minister. Mr. Minister, I would just like to get some sense if we could, the percentages of people that meet one of the diversity categories that we have employed in the civil service as a percentage of total.

Hon. Mr. Elhard: — The information I have ... Unless somebody has something that supersedes this, the information I have is to March 31, 2007. Do we have anything more current?

Okay. Just for the record I might want to draw a comparison between March 31, 1992, and March 31, 2007, which would be pretty much the span of your administration. So you can take these numbers for good or whatever.

Aboriginal persons, in 1992 there were 3.1 per cent employed in the public service. As of March 31, 2007, there were 11.2. Now the desired representation in the workplace as provided by the Saskatchewan Human Rights Commission is 13.8. So we're a little bit short there, about 2 per cent from where we would like to be.

Persons with disabilities, on the 31st of March 1992 the number was 2.4 per cent. On the 31st of March 2007, it was 3.5 per cent. And here's where we're not doing so well. The desired representation is 9.7 per cent.

Members of visible minority groups as of March 31, 1994 — because I believe that's when they started keeping track of the statistics — that was 1.9 per cent. On the 31st of March 2007, it was 3.1 per cent. And we've actually exceeded the expectations of the Human Rights Commission. Their expectation of us was a 2.8 per cent representation. We were actually above that.

And there was one other category. I don't know if you're interested in this as part of the question, but women in management was an issue that we tracked over that period of time. On the 31st of March 1992, the percentage was 26.8. On March 31, 2007 the percentage was 35.2. The desired representation is a figure of 45 per cent. Women in management — that's management classification — and the compensation plan includes all levels of management and senior executives. As of about a year ago we're a bit short there. We've got some work to do there as well.

Mr. Yates: — Thank you very much, Mr. Minister. It would appear that in all of those categories with the exception of those that are disabled we've made some significant improvement over the last decade or a little more than a decade. But the disabled category — either those with physical or intellectual disabilities — we've struggled at, obviously. And so I just want to point that out.

We've had a discussion about, you know, we need to look at that particular category. And I think we all share a view that these people, these individuals can be very, very important participants in our workforce in the future as the labour market tightens. And we need to look to provide opportunities for those who are seeking employment and have a disability within the public service of Saskatchewan. Thank you very much.

My next set of questions are going to deal with essential services in the public service. We have asked most ministries as they've come forward on estimates what they saw in their departments and in their ministries as being essential services. I would like to start by asking the Public Service Commission what they see as essential services within the Public Service Commission.

Hon. Mr. Elhard: — Mr. Chairman, in answer to the member's question, the Public Service Commission hasn't identified that group of people within the public service at all yet. They are waiting to see the terms of the new legislation.

There is a Bill, as the member will know, before the House. It is probably moving to committee shortly, if not already moved there. I think we can anticipate some amendments, and so until the final articulation of the Bill is available for us to review, we won't be moving forward.

Mr. Yates: — Thank you very much, Mr. Minister. I am aware that in the last round of collective bargaining between the employer and the public service bargaining unit of SGEU [Saskatchewan Government and General Employees' Union] there were discussions at that point about essential services, and there were going to be further discussions throughout the public service as to what was essential service. Has there been no examination of that issue by the Public Service Commission in light of that agreement of what would in fact be designated as essential services, first in the Public Service Commission itself, if any, and then in the broader public service?

Hon. Mr. Elhard: — Mr. Chairman, in answer to the question, I was going to give my layman's thumbnail sketch of the history of discussions, but I've been advised that there's more detail you'd probably want on that question. I recall when I became Minister Responsible for the Public Service Commission, in my briefing notes I was informed that there had been a recommendation from Mr. Ready as part of the job action last winter that essential services ought to be considered by the employer and the union representing the employees of the provincial government.

And that suggestion resulted in dialogue between SGEU and the Public Service Commission in June of last year. The employer provided an overview of the programs and services which ministries had identified at that point as impacting on public health and safety. During September of last year, the employer provided detailed presentations to SGEU on programs and services impacting public health and safety and for which the employer was seeking agreement on designation as essential service.

It's my understanding that in October, I think the 17th was the precise date, of 2007 the union responded to the employer's proposal saying that they were not in agreement with any of the programs and service proposed for essential services designation, and further to that the union referred the matter back to Mr. Ready for resolution on October 23. The union indicated to Mr. Ready that the employer had expanded the programs and services beyond the ones identified in his report.

Now I am going to defer to my memory, but it seems to me that the union had identified about 1,800 positions that they thought would qualify as essential services. The Public Service Commission had identified about 2,600 if I recall correctly. There was, you know, a difference of several hundred in terms of starting positions. And I think the union thought the gap was too great. They would prefer the considered opinion of Mr. Ready in terms of this whole issue, and nothing to my knowledge has transpired on the topic since then.

However, you know, the Public Service Commission is considering the appropriate next steps to take in addressing Mr. Ready's continuing involvement in this matter. So I would suggest that if we need the good services of Mr. Ready on this topic, we may want to avail ourselves of same. But you know, I

hope I'm not treading on dangerous ground here, but I was a salesman for a long time, and there is an opening position on both sides of an argument or both sides of a negotiation, and I think that there's lots of room to move here. I think we need to be looking at this pretty seriously.

One other thing I want to throw in here, I had a former boss, an old fellow who said, if both parties go away from an agreement a little bit mad it was probably a pretty fair agreement.

Mr. Yates: — Thank you very much, Mr. Minister. I think I've heard that analogy slightly different but several times over the years.

Mr. Minister, do we anticipate . . . I guess I'll ask the question directly. Is it the position of the Public Service Commission and the government that this issue for the public service will be settled through Mr. Ready, or will the government utilize the legislation, the new legislation to settle this issue?

Hon. Mr. Elhard: — Thank you, Mr. Chair, for your patience. I needed to be brought up to speed on exactly where we are here. I think that given the legislation that is working its way through the legislature right now, as it relates to essential services, given the prospect that the committee will be considering the legislation, that there will be some amendments coming forward, we've been made aware of that fact by the Minister of Advanced Education, Employment and Labour, that our need of the services of Mr. Ready may or may not be necessary. I think we need to just see how the legislation plays out, what the legislation ultimately says, and how it might impact the Public Service Commission before we move too far one way or another.

But you know, I expect Mr. Ready will make himself available to us if we deem it necessary or if it's absolutely vital to have him involved. I don't think that he would object to — I can't speak for him — but I don't think he would object to bringing his expertise to bear.

Mr. Yates: — Thank you very much, Mr. Minister. My next questions are going to involve Mr. Ready again. My understanding is that that settlement contained a provision to refer a number of grievances or disputes to Mr. Ready for resolution. Could we get an update where that process is?

Hon. Mr. Elhard: — Mr. Chair, in response to the member's question, I have been advised that SGEU and the employer are continuing to meet on or did continue to meet on bargaining commitments from the 2006 round of bargaining. But those meetings were interrupted by the strike which . . . and lockout I guess. I don't want to characterize it only as a strike. It was a strike, lockout from November 7. That's not quite right here. I'm reading this wrong.

But anyhow, there was an interruption in the meetings as a result of the labour action taken. And just recently SGEU and the PSC have reinstated regular issues meetings to discuss ongoing matters. I'm informed that Mr. Ready is going to make himself available to this dispute resolution, this grievance issue. Sometime toward the end of the month he's coming back.

Mr. Yates: — Thank you very much, Mr. Minister. Could you

outline for me how many grievances there are in the public service today?

Hon. Mr. Elhard: — Mr. Chairman, I'm informed the number is 733. But I have to tell the member, I find that number very troubling, and I would like to see a system whereby grievances of this nature were dealt with more directly and expeditiously. I don't think it's healthy for employees. It's not healthy for the Public Service Commission. It's not healthy for the work environment to have these kinds of grievances outstanding. And I think that every effort by all parties involved need to be made for resolution.

Mr. Yates: — Thank you very much, Mr. Minister. Do you happen to have a breakdown by ministry on that 733 grievances?

Hon. Mr. Elhard: — No. We don't have a breakdown with us here tonight. If the member would like that information, we can make it available to the committee.

Mr. Yates: — Thank you very much. I would like that information. Mr. Minister, how many of the 733 grievances that you've identified will be referred to Mr. Ready?

Hon. Mr. Elhard: — Mr. Chair, the information I have before me indicates that there were a total of 221 grievances that were reviewed, but 124 of them were deemed as more urgent and are pending referral to Mr. Ready and Mr. Taylor.

Mr. Yates: — Thank you very much. So that would leave 609 grievances. What will happen with those 609 grievances?

Hon. Mr. Elhard: — The information I have is that it's the recommendation of the Public Service Commission that that backlog of grievances be worked through our existing processes first. It seems like a lot of work, but I think it's important that they be attended to, and we'd like to see them attended to as soon as practically possible.

Mr. Yates: — Thank you very much. Do you have a time frame in which we can expect resolution of those 609?

Hon. Mr. Elhard: — Relying on my experience as a salesman, I would say that you can't predict anything with any certainty in these kind of issues. You know, if we were just talking about our willingness to get this stuff attended to, that would be one thing. But there are other parties associated to this matter and are associated with this matter, and I can't speak for them. So I guess it will be determined by the willingness of all parties to come to some accommodation.

Mr. Yates: — Okay thank you very much, Mr. Minister. I'm now going to move on to a few concluding questions, that under (PS06) we see a capital asset acquisition of \$2,321,000. What is that capital acquisition for?

Hon. Mr. Elhard: — Mr. Chair, as the member will know there was a decision taken by his government at the time to centralize a lot of the functions of the Public Service Commission, including all of the payroll activity. It was brought under one umbrella which necessitated some renovation and other space accommodation, and that was all capitalized in this

item.

There was design, renovation. There was the move that had to be undertaken. There was set-up, and there was some office furniture, some equipment, some IT [information technology] equipment and telephone equipment that was necessitated by the move. There is a total of \$2,321 associated with the consolidation of the IT capability and that was capitalized.

Mr. Yates: — \$2,321?

Hon. Mr. Elhard: — I'm sorry; I missed the decimal point. \$2.321 million. Just a small error, it's a rounding error.

Mr. Yates: — A rounding error. Thank you very much, Mr. Minister. With the consolidation and the implementation of the MIDAS [multi-informational database application system] system, in the early stages there were significant problems with the MIDAS system. Can we have an update where we are in working through some of the issues that primarily affected, I believe, those employees who work shift work?

Ms. Isman: — Mr. Chair, rather than getting into the details and having the minister respond, I'll respond to this question. When we initially implemented the MIDAS HR payroll system — the member is correct — we had a lot of issues in terms of start-up of the new payroll system that were addressed.

I'm happy to report though after two years of having it up and running, the vast majority of those issues have all been resolved. The system is working much more effectively as our staff have learned the new system, have been more trained over the last couple of years. And as I say, I'm happy to report the issues with the system are really very minimal and only the normal nature of issues that you would see in a payroll system.

Mr. Yates: — Thank you very much. That's very good news.

My final question, the Public Service Commission gave \$250,000 to the Johnson-Shoyama school of public policy. I know that you had indicated earlier in your opening comments and once again in one of your answers that that would go a long ways to help again ensure that we are getting quality people out of our institutions into the public service.

Could you just give me a little more detail as to what that \$250,000 is . . . how it will actually be utilized by the school and what benefit it will have to the public service of Saskatchewan?

Hon. Mr. Elhard: — Mr. Chair, the Public Service Commission was granted \$250,000 for the 2008-09 fiscal year to work with the Johnson-Shoyama graduate school of public policy to address public professional development for the purposes of service in executive government. And if I heard the member correctly, he was asking for some details as to what funding or what activities will be undertaken as a result of the funding.

So I guess the best way to answer the question is that we are working directly with the Johnson-Shoyama graduate school of public policy to design and to deliver professional development programs in two specific and very important areas: first of all,

leadership in the public service context; and public policy development, the process of public policy development. Those are the two things that we felt would benefit both the school and ourselves most specifically.

Now the delivery of these programs are going to commence in this fiscal year, and the government has committed funding to the school of public policy to support this progression development to the tune of \$1 million over four years, so we made our first instalment this year. We will continue over the next three years to fulfil our obligations to the school.

Mr. Yates: — Thank you very much, Mr. Minister. Now I have two questions I would ask about the amendments to The Public Service Act that if I asked tonight wouldn't require when we deal with that piece of legislation officials to come back. Would you like me to ask those questions this evening?

Hon. Mr. Elhard: — I think that question would be more appropriately put to the Chair.

Mr. Yates: — We could still do the Bill later, but I'll ask my two questions today, so officials don't have to come back if they wish.

The Chair: — Mr. Yates, if you want to place your questions, that's fine. And the minister, the officials can answer them this evening or perhaps reply in writing. That would be fine for this evening.

Mr. Yates: — Thank you very much, Mr. Chair. My two questions are . . . And I'd be just as happy if the reply came in writing. The primary change was a change that would in fact have the provisions apply to all employees, not just those that were permanent employees. Could you indicate for me the difficulty that the particular provision caused the commission in the past? I think I know the answer, but I'd like it articulated.

And secondly, the second provision gave greater flexibility to the commissioners to deal with issues that are referred to them. Are the provisions requested in this piece of legislation adequate to allow the commissioners to properly deal with the scope of issues that would be referred to them?

Ms. Isman: — Mr. Chair, with regard to the first provision, there weren't any issues that led to the change. It was simply a housekeeping change that, as we reviewed the Act, we noticed the inconsistency in the language, that it only specified permanent employees and thought once we were making the changes, it would be prudent simply to recommend that all employees be treated the same way, and I think it was probably just an oversight when the original Act was passed.

With regard to the second, that did arise out of an issue that the public service commissioners were faced with where the Act was very specific that they either had to accept or deny something that a deputy minister had done by meting out some discipline, and they felt it was important that they actually have options open to them. So when we reviewed the legislation we did go back and talk to the public service commissioners, if those changes would meet their needs, and it does absolutely.

Mr. Yates: — Thank you very much. Mr. Chair, that finalizes

my questions tonight. I would like to take this opportunity to thank the minister and his officials for coming this evening. Thank you very much for your answers and your concern to our issues. And with that, Mr. Chair, we'll conclude this evening.

Hon. Mr. Elhard: — Mr. Chair, I would like to thank the members of the committee for their indulgence tonight. We appreciate the questions. You know good questions are an important part of the democratic process, and these committees have provided a much better venue, I believe, for discussions of this nature than we would get in the House generally.

I think the quality of the questions and the tenor of this particular discussion tonight has been most helpful, and I appreciate the opportunity to answer the questions that have been put to us. I would like to thank our officials for not just backing me up, but for providing very good support and strong response when information was not at my fingertips. And their skill and capability is indicative of the quality of the public service that we enjoy in this province. And I would like to thank them publicly for that.

The Chair: — Thank you, Minister, and thank you to your officials for being here this evening. I want to thank committee members for a good discussion this evening. This adjourns our consideration of the Public Service Commission estimates, and at this time I would entertain a motion to adjourn for the evening. Mr. Reiter is moving a motion to adjourn. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — This committee stands adjourned. Thank you.

[The committee adjourned at 22:08.]