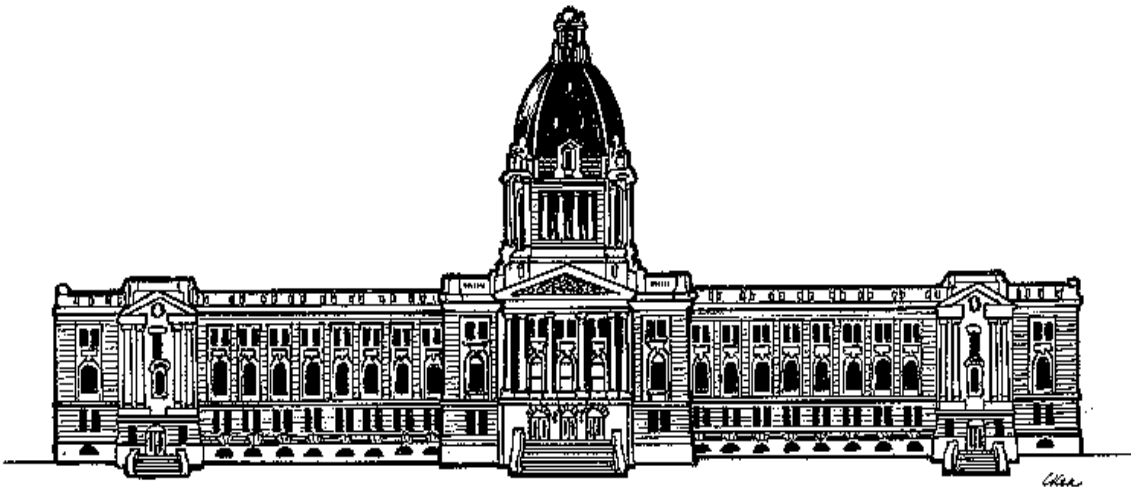




# **STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES**

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## STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

Mr. Greg Brkich, Chair  
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Ms. Cathy Sproule, Deputy Chair  
Saskatoon Nutana

Mr. Bob Bjornerud  
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Mr. Darryl Hickie  
Prince Albert Carlton

Mr. Gene Makowsky  
Regina Dewdney

Mr. Scott Moe  
Rosthern-Shellbrook

Mr. Roger Parent  
Saskatoon Meewasin

[The committee met at 09:57.]

**The Chair:** — I want to welcome the committee members for the meeting this morning. First up we have a substitution. Warren McCall will be substituting for Cathy Sproule. Members have a copy of today's agenda. If members are in agreement, we will proceed with the agenda.

We have one document to table today, CCA 62/27, Crown Investments Corporation Saskatchewan, CIC appointments to CIC subsidiary Crown corporation boards, order in council, dated March 7, 2013, distributed on March 13th.

I believe we'll have to have an election of a Deputy Chair. So the first item of business will be the election of a Deputy Chair. I just want to remind members of the process. I will first ask for nominations. Once there are further no nominations, I will then ask a member to move a motion to have a committee member preside as Deputy Chair. I will now call for nominations of a Deputy Chair. I recognize Mr. McCall.

**Mr. McCall:** — Thank you very much, Mr. Chair. I'd move the name of Cathy Sproule for Deputy Chair.

**The Chair:** — Mr. McCall has moved Cathy Sproule for election or for position of a Deputy Chair. I see no other nominations so I will say that the nominations cease. I would invite now one of the members to move that motion. Roger Parent.

**Mr. Parent:** — Thank you, Mr. Speaker. I make a motion:

That Cathy Sproule be elected to preside as Deputy Chair of the Standing Committee on Crown and Central Agencies.

**The Chair:** — All in favour of the motion?

**Some Hon. Members:** — Agreed.

**The Chair:** — Motion is carried. Next on today's agenda is a consideration of the 2008, 2009, 2010, 2011 annual reports for the Saskatchewan Opportunities Corporation. I see Minister Harpauer. I'll have her introduce her officials, and if she has an opening statement to make before members do the questioning. Minister.

[10:00]

### Saskatchewan Opportunities Corporation

**Hon. Ms. Harpauer:** — Thank you, Mr. Chair, and welcome to all the committee members. Today with me, to my right I have Doug Tastad who is the CEO [chief executive officer] of SOCO [Saskatchewan Opportunities Corporation]. To my left I have Charlene Callander who is the CFO [chief financial officer]. And behind me I have Brent Sukenik who is the executive director, finance and administration.

Mr. Chair, I do not have any opening statements so we will entertain any questions.

**The Chair:** — Mr. McCall.

**Mr. McCall:** — Thank you very much, Mr. Chair. Minister, officials, welcome to the committee. Good to have you here. For the record, Madam Minister, I think the annual reports under consideration today, dating back to 2008 of course, how many ministers have there been of SOCO preceding you for the years under consideration?

**Hon. Ms. Harpauer:** — I would say two preceding me. Just prior would've been Minister McMillan. Prior to that I believe Minister Draude. And perhaps it might've been originally, when we formed government, would've been Minister Cheveldayoff.

**Mr. McCall:** — By the information I have here as a bit of a . . . the short snapper off the top, you didn't get the bonus points, Madam Minister. Sad to say there's Minister Stewart and Minister Boyd, but certainly the other ministers that you've mentioned as well. I guess it all goes to pointing up just how much activity has taken place since this committee has considered the annual reports of the Saskatchewan Opportunities Corporation.

So I guess I wanted to point that out off the top because our questions will be wide-ranging as befits having this kind of range of material for consideration. So if you could bear with us, Madam Minister and committee members, we'd appreciate that very much.

But, Madam Minister, from 2008, I guess if we could move through this perhaps chronologically starting with the 2008 reports. If yourself or any of the officials would care to talk about what they see as the highlights of the 2008 annual reports, any major changes in policy that took place in that year and what the overall shape and size of the operations of SOCO look like for the year 2008.

**Hon. Ms. Harpauer:** — Thank you, Mr. McCall. In 2008 there were no substantial changes to any of the policies. The event of note would have been the opening of a new building in Regina on 2 Research Drive. That was completed in 2008. I believe it was initiated in 2007. But that would have been the highlight event for that year.

**Mr. McCall:** — Thank you, Madam Minister. If you could just state for the record what the overall operating revenues were for the corporation that year, expenses, and also what the holdings of the corporation looked like for the year under question, 2008.

**Hon. Ms. Harpauer:** — So in 2008 the total revenue was 30,373,000, total expenses were 25,297,000, and the value of the total assets was 64,672,000.

**Mr. McCall:** — Thank you, Madam Minister. If you could as well state for the record what the employee complement looked like for the corporation in that year.

**Hon. Ms. Harpauer:** — 114 at the time.

**Mr. McCall:** — Thank you, Madam Minister. Now in terms of the 114 employees of the Opportunities Corporation, how

would they be deployed? What's the difference between in-scope, out-of-scope? Are there any unions that attach to the . . . or any collective bargaining agreements that attach to the corporation? If you could tell us a bit more about the labour force at SOCO and how they're deployed.

**Hon. Ms. Harpauer:** — None of the SOCO employees are unionized. In 2008 approximately 20 of those employees would have been in Regina and most of the remainder would have been in Saskatoon, and approximately 15 of those employees would have been senior management. The remainder would have been involved with the operating of the buildings.

**Mr. McCall:** — And again that goes to sort of straight property management functions entailed in the buildings like Research Park or Innovation Place.

**Hon. Ms. Harpauer:** — Correct.

**Mr. McCall:** — Okay. In terms of the net profits of the corporation, if you could tell us about how that fits in with CIC [Crown Investments Corporation of Saskatchewan], how CIC sets the goals for the corporation, and I guess the . . . So again the 5 million net, what happens to that, Madam Minister?

**Hon. Ms. Harpauer:** — So in 2008 SOCO retained their earnings, and it would have gone towards maintenance and upgrading of different buildings. There was no dividends paid. However in 2010 there was a 9 million dividend paid to CIC, and in 2012 there was also a dividend required of 65 per cent of the adjusted net income from SOCO. So SOCO hasn't always consistently paid dividends, but there have been years where they have.

**Mr. McCall:** — I guess to go out on a bit of a tangent with this, but we're talking about it, so might as well. What are the considerations that go towards CIC requesting dividends from the Opportunities Corporation?

**Hon. Ms. Harpauer:** — The policy from CIC is that it may require up to 65 per cent of adjusted net income for dividends, and it is the governments of each and every year to decide what level of dividends they require up to that ceiling.

**Mr. McCall:** — So it all hinges on the word "may," and it's a year-to-year proposition whether or not SOCO will be forwarding dividends to CIC. Is that a correct description?

**Hon. Ms. Harpauer:** — I believe so.

**Mr. McCall:** — Okay. There isn't any sort of three-year plan or five-year plan in terms of what the holding company, CIC, puts forward in terms of expectations to SOCO. It's just a year-to-year process?

**Hon. Ms. Harpauer:** — So the direction as of this year to SOCO will be that, in anticipation of going forward years, is that it would be 65 per cent.

**Mr. McCall:** — So the discretion is taken out of it. It will be 65 per cent from here on in?

**Hon. Ms. Harpauer:** — That is what SOCO should plan their

business around. Now I know in the past, and as you're familiar as well, that can change where some years it will be zero, some . . . but you have a policy in place to expect that it will be up to that ceiling and then each and every year the decision is made as to whether all of it will be taken by CIC or not.

**Mr. McCall:** — So for planning purposes you count on the 65, or you identify what that 65 per cent figure would be, and then taking that forward the decisions still be made in-year as to if it goes forward or not, or stays with the corporation?

**Hon. Ms. Harpauer:** — Correct, so that the corporation needs to plan their business plan around 65 per cent.

**Mr. McCall:** — I guess one other thing about the year 2008 in terms of the . . . Again, if the minister could describe for the committee just for the record, or the minister or officials, the relationship between the corporation and of course the University of Saskatchewan in the case of Saskatoon, University of Regina in the case of Regina? Could the minister describe to the committee how that relationship works? And then I have some further questions in terms of tenants, but if you could describe that for the committee.

**Hon. Ms. Harpauer:** — So the relationship is that the research parks lease the land from the respective universities, and in some cases the universities may also be tenants is the relationship.

**Mr. McCall:** — Okay. Is there any representation on the board of SOCO that attaches to that? Or how is that relationship, the governance of that relationship, how does that carry forward?

**Hon. Ms. Harpauer:** — In 2008 there was. There was one member on the board from the U of R [University of Regina] and one member from the U of S [University of Saskatchewan]. However, that's not a mandatory requirement. I'm going to get Doug just to explain a little more detail on that lease relationship.

**Mr. Tastad:** — Under our lease with the university, with both universities, they have approval rights over new buildings and approval rights over tenants. And that's administered through an advisory committee.

**Mr. McCall:** — Does that committee do its work on an annual basis, quarterly basis? How does that work proceed?

**Mr. Tastad:** — It's at least on a quarterly basis, and it's really on an as-needed basis. If tenants come to us . . . And we have to get approval for all tenants from the university, so we will call meetings as required.

**Mr. McCall:** — Okay. But for all intents and purposes, post the 2008 representation on the board, there's no ongoing means by which the universities have representation on the board of SOCO?

**Hon. Ms. Harpauer:** — The most recent change is the first, that they haven't representation. Prior to that, they did have one member each. But again, that's not a requirement and it doesn't change the relationship or the advice and the oversight of the universities.

**Mr. McCall:** — So I guess, again . . . Thanks. You've referenced the oversight as regards new tenants or whatnot. But in terms of how do the universities and SOCO get together to ensure that operations are proceeding in a mutually beneficial manner, how do they do that on an annual basis? Is it just sort of as required, or is there something that's a bit more structured in terms of the relationship?

[10:15]

**Hon. Ms. Harpauer:** — So other than the approvals of the tenants and the actual building structures, they're not part of SOCO's governance structure.

**Mr. McCall:** — So again if you're in Innovation Place or in the Research Park, it's SOCO that is your immediate landlord or overseer, what have you.

**Hon. Ms. Harpauer:** — Yes.

**Mr. McCall:** — Okay. In terms of 2008, can the minister describe for the committee both . . . Overall, if the minister could describe, and if she wants to break it down by area that'd be fine as well, but the list of the tenants who are taking advantage of the opportunities at SOCO? Is there sort of a ranking in terms of, you know, size of operations? Who's doing business with SOCO?

**Hon. Ms. Harpauer:** — So consistent from 2008 to now, generally 70 per cent of the tenants are private companies. The remainder are university, government, and not-for-profit organizations make up the remaining 30 per cent. And it hasn't deviated from that kind of makeup throughout the years.

I'm not sure how detailed you want the breakdown from 2008. We'd probably have to provide that information.

**Mr. McCall:** — With that undertaking, Madam Minister, if you could. So just to be clear, for each year. And if you could break it down according to the 70 per cent private sector tenants and the public, university, not-for-profit sector, that would be great.

**Hon. Ms. Harpauer:** — So you want the names of each and every tenant?

**Mr. McCall:** — That would be great. Okay.

**Hon. Ms. Harpauer:** — Do you want that for each and every year?

**Mr. McCall:** — Yes, we do, Madam Minister.

**Hon. Ms. Harpauer:** — Okay.

**Mr. McCall:** — Okay. And again, you know, these may seem interesting questions, but again it goes to who's utilizing the facility. For example, on the government side, 2008, were there government tenants at the university? And if so, what were they up to? What were they doing?

**Hon. Ms. Harpauer:** — Yes, there were.

**Mr. McCall:** — Okay. Who might they have been, Madam

Minister?

**Hon. Ms. Harpauer:** — In 2008, I'm not sure. Right now, eHealth is in Regina. So you're looking at, government tenants would be ITO [Information Technology Office], eHealth, ISC [Information Services Corporation of Saskatchewan], SRC [Saskatchewan Research Council] is the type of government tenants you're going to see.

**Mr. McCall:** — And again is there any sort of indication as to what percentage of revenues those tenants might account for, or what sort of percentage of the floor space available in terms of the offerings with SOCO? Again we're just trying to again get that overall picture as clear as we can in terms of who the tenants are, who's taking advantage of the opportunities of SOCO.

But in terms of the public sector involvement with SOCO, we're trying to get a better picture of why a particular government operations would be better suited to situating themselves either at Innovation Place or at the research park or The Terrace. What sort of considerations go into making decisions like that?

**Hon. Ms. Harpauer:** — Well ITO, you'll find that the Regina Research Park is, you attract companies that want the partnership and to work together. So you're going to see a lot more technology presence, companies interested in technology. In Saskatoon — and I'm more familiar with the Saskatoon Innovation Place — is more in biosciences and all of the connections. So you'll find, because the research tenants want to have the advantages of the clustering, so you're going to see a different sort of grouping of tenants in Saskatoon than you are in Regina. SRC is a great resource for private companies because they can sometimes do a piece of the research that of course the private company is looking for. So we'll get that information for you.

**Mr. McCall:** — Thank you, Madam Minister. So I guess that sort of rolls back around to a broader question about the particular thrusts of each of the operations, be it The Terrace or Innovation Place. The minister has referenced perhaps the ag-biotech cluster. If the minister could for the committee — or officials — talk about the particular focus of each of the operations and what the research parks do to go out and drum up business to build out that cluster, if the minister's got any ideas on that, that'd be great to hear.

**Hon. Ms. Harpauer:** — You have to remember we're dealing with a lot of private companies who are each going to have their own goals, so we are the landlord per se although we encourage new companies. We encourage start-up companies. We can facilitate sort of grounds where they could network in the site of the buildings, but they have to do their own work as far as working together.

**Mr. McCall:** — In terms of recruiting tenants or setting up the clusters that have emerged, again, like surely SOCO has some involvement with trying to make sure that if you're Innovation Place, you're known as the place for ag-biotech.

**Hon. Ms. Harpauer:** — So it isn't SOCO that drives the clustering. It's the industry that drives the clustering. So

SOCO's being asked by industry for more space. For example, like you said, the biosciences, agriculture, mining has clustered more so in Saskatoon. Information technology's clustered more in Regina. I don't believe SOCO's had to aggressively market. It's known that it's there, and it's the industry that then asks SOCO for the space, or to provide appropriate space.

**Mr. McCall:** — I guess why I mention that . . . Earlier on in the minister's comments you'd talked about the Information Services Corp, the Information Technology Office — two government operations that go to the information tech cluster that is located at the Terrace. So again there's . . . I appreciate that these things are set up to be industry led, to let the research point the way forward to commercialization opportunities to innovation. You know, we get the point.

But the government also makes decisions to support that or not in terms of the way that it is positioning, again, ISC or the Information Technology Office at the sector. So again, how does that . . . What role does SOCO play in terms of working with clusters and ensuring that they're reaching full opportunity, or maximizing the opportunity?

**Hon. Ms. Harpauer:** — Okay. So I can't speak to decisions made by the previous government because the large majority of all of these tenants were tenants under the NDP [New Democratic Party]. So I'm not sure if there was some philosophical reason why they wanted them there or not. I can't speak to that because that of course was the government you were involved in.

The one that's moved in, since in 2009, was ITO moved into the Regina campus, or the Regina Research Park. And they get a lot of work done by the companies that are already existing in, or other tenants within the research park here in Regina. So they have a working relationship with other companies. And that then was a good fit. It was ITO's initiative to request to go there and not a government policy-driven decision.

**Mr. McCall:** — Okay. Thank you, Madam Minister. Moving on to the year 2009, if the minister could describe for the committee the overall financial picture with the corporation and any sort of major projects that occurred in that year, any sort of policy changes that might have occurred. We'll leave it at that for the moment.

**Hon. Ms. Harpauer:** — 2009, the total revenue were 31.839 million. The total expenses were 27.747 million and the asset value was 66.270 million. There was no substantial changes in policy or the buildings in SOCO throughout 2009.

**Mr. McCall:** — Any changes with the board or the board governance and any changes of note in that year, Madam Minister?

**Hon. Ms. Harpauer:** — No, there were no changes.

**Mr. McCall:** — Okay. Again the SOCO board operates under the balanced scorecard with CIC? Is that a correct statement?

**Hon. Ms. Harpauer:** — Yes.

**Mr. McCall:** — Okay. So with the balanced scorecards for

2009, how was SOCO living up to the expectations set out for it by the holding company, CIC, under the balanced scorecard?

[10:30]

**Hon. Ms. Harpauer:** — Thank you. SOCO met the majority of its targets in 2009. There were 6 of the 22 measures that were not met at the end of the year. And those measures include: employment growth within Innovation Place; independent analysis of the economic impact of Innovation Place tenants; available inventory to meet demand; percentage of employees fully engaged in their work; percentage of annual gross salaries devoted to employee training; and sponsorships as a percentage of the net income.

**Mr. McCall:** — How does that compare to . . . In terms of SOCO and its standing amongst the other Crown corporations part of the CIC holdings, is that good performance? Is that bad performance? How does that stack up, Madam Minister?

**Hon. Ms. Harpauer:** — SOCO stacks up relatively well, but as with every Crown there's always room for improvement.

**Mr. McCall:** — Okay. So on those ones that were not met, how did they fare in the years following?

**Hon. Ms. Harpauer:** — So in 2010, SOCO met all but two of its targets. The available, billable inventory to meet identified demand and sponsorships as a percentage of net income were not met.

**Mr. McCall:** — Well keep up the good work. Okay. In terms of 2009 again, trying to round out the picture for one of the years under consideration here, anything happen with the FTE [full-time equivalent] complement attached to SOCO or was it pretty much status quo?

**Hon. Ms. Harpauer:** — So I've been advised that the employment numbers as well as how they were deployed has been consistent right through 2008 to present, which is about 115 employees.

**Mr. McCall:** — Okay. I guess different question and moving backwards and forwards with it as well, but for the years under consideration, policy around rent, leasing fees, how is that arrived at in a general sense by SOCO?

**Hon. Ms. Harpauer:** — Doug is going to answer this question.

**Mr. Tastad:** — We generally charge a premium rent. We charge a rent that's usually a little bit higher than the marketplace in both Saskatoon and Regina. And then we have specialized spaces that have even higher rents. We do however make an exception with start-up companies. We usually try, for the first initial period of a company becoming a tenant, we try to fit their rental amounts to their business plan. So we do give some breaks to start-up companies.

**Mr. McCall:** — For the start-ups is there generally a set period of time that that . . .

**Mr. Tastad:** — We treat each one individually. So it depends on the nature of the business, you know, their ability to pay,

their business plan.

**Mr. McCall:** — Okay. Could the minister or officials describe the different types of start-ups that have been coming through and whether or not that has been part of successfully fostering moving from start-up to full-blown business operations.

**Mr. Tastad:** — We have 58 companies now that are tenants that were start-ups in our parks, 27 in the last three years. So it's been a very successful program and, you know, they have grown into substantial tenants of ours.

**Mr. McCall:** — Okay. Of the corporations or the entities that the official has described, what percentage of the operations of SOCO would those entities constitute?

**Mr. Tastad:** — Well during the initial year or two of start-up, they usually rent very small amounts of space so it has very limited impact on us. But as I say, many of them have grown into large, important tenants.

**Mr. McCall:** — For the accounting purposes of the corporation, is there a dollar figure that is attributed to that discount for each year, and is that represented in the annual reports?

**Mr. Tastad:** — Well the impact's represented because it's represented in our level of revenue but we don't separately account for the fact that a start-up company might get a low rent for six months or something. We don't track that as a separate accounting.

**Mr. McCall:** — Okay. Is there a sense at how much that is worth or what sort of a value is being extended to the start-ups?

**Mr. Tastad:** — It's a low opportunity cost to us because they are small. And it would, you know, even the area would represent . . . Start-ups in their first three years, as an example, right now would represent a couple of percentage points of the amount of area that we rent in total. Most start-ups will rent a single office or a few hundred square feet, so it's a very small impact on us but it has a big, positive impact going forward as they grow.

**Mr. McCall:** — Okay, minister or officials, if you could describe the different types of space that are available. The official had referenced specialized space. So if you could give us a general overview of the offerings of SOCO and then some sense of what the specialized offerings are.

**Mr. Tastad:** — Of course an awful lot of technology occurs in office space and so we'd certainly have . . . A good portion of our facilities are just good quality office space. But we do also own laboratory buildings, greenhouse buildings. We provide specialized utilities to particularly the bioscience community. So it's quite a wide range of different kinds of spaces.

**Mr. McCall:** — You don't have like a server farm somewhere off site or anything like that?

**Mr. Tastad:** — No. Many of our tenants have their own server rooms or small data centres. But we don't consider the data centre business to be consistent with our employment growth

strategy. Data centres aren't particularly high employers.

**Mr. McCall:** — Okay.

**Mr. Tastad:** — So we haven't encouraged that end of the business.

**Mr. McCall:** — Okay. So again, specialized space, generally greenhouses and . . .

**Mr. Tastad:** — Laboratories. Greenhouse and laboratories would be the largest component. We have pilot plant space as well, certain, you know, industrial research space. But the biggest component of specialized space in both our campuses would be laboratory space.

**Mr. McCall:** — Otherwise it's pretty much the corporation comes in, plugs in, and does its thing.

**Mr. Tastad:** — Yes. We do provide specialized infrastructure, like a very high-quality data network in both campuses, you can imagine, those sorts of things.

**Mr. McCall:** — Okay. One of the things about the 2009 annual report, "Innovation Place has suspended new building development activities at the request of CIC [this is page 19 in the annual report] until a viable process for employing private capital in new projects is presented for approval." Could the minister or officials tell the committee a bit more about what that note in the annual report is referring to and how it's carried forward?

**Hon. Ms. Harpauer:** — Yes. We have, and I know you're well aware of, the enormous pressures for infrastructure in a growing province, which ranges from housing to hospitals to schools and so on. So it was a decision to let SOCO management know that that would not be our priority in spending infrastructure dollars at this time because we had other priority areas where any available capital dollars would be spent.

**Mr. McCall:** — So previously though, sort of capital undertakings by the corporation were handled through retained earnings or through the revenues available to the corporation. Would that not be a fair description?

**Hon. Ms. Harpauer:** — We would get them financed.

**Mr. McCall:** — Okay. But again in terms of being discrete to SOCO and not dependent on a grant from the holding corporation or from executive government?

**Hon. Ms. Harpauer:** — Correct. So theoretically, yes that's correct. But historically SOCO had issues with paying that debt. And so in 2004 the government of the day took the asset amount on to their books as a debt payment. So theoretically it should pay for itself, but in the event that it can't, the government of the day has to backfill the payments. And of course, as you're well aware, the cost of construction is quite considerably higher right now than it has been in the past. So it just isn't . . . If we're going to take a risk as a government, we chose there was other areas to take a risk that were a higher priority.

**Mr. McCall:** — In terms of what was coming forward at that time from SOCO, what was the deferred, or I guess the denied proposal?

**Hon. Ms. Harpauer:** — There wasn't a specific proposal that was denied that I'm aware of.

**Mr. McCall:** — Okay. I guess, pardon me, the policy change then as regards new building activity undertaken by SOCO. And has there been any new building taken by SOCO since that point?

**Hon. Ms. Harpauer:** — Well there has been no new buildings, and the retained earnings of SOCO right now is being spent in upgrades and maintenance of existing buildings.

**Mr. McCall:** — In terms of the rent picture for the years under consideration, has there been a significant . . . The minister had referenced inflation throughout other parts of the economy. Have rents gone up or have those been largely protected by lease, leasehold agreements, or how has that aspect of SOCO's operations fared for the years under question?

**Hon. Ms. Harpauer:** — Rent is decided by management, so I'm going to turn it over to Doug.

**Mr. Tastad:** — Rental rates have increased dramatically.

**Mr. McCall:** — Okay. By dramatically, is that . . . How would the official characterize that?

**Mr. Tastad:** — Rental rates have increased by . . . I won't get into a detailed explanation, but the base rental rates for our space have increased by more than 50 per cent since 2008 till now. So I mean in the marketplace generally, rates have gone up. We can't, of course, raise rents during leases, but when a client renews, that's an opportunity for us to charge the market rate, which is what we've been doing.

**Mr. McCall:** — And for the years under consideration, Minister, or officials, has the space with SOCO been fully subscribed? Is there a bit of a backlog in terms of interest to get located out at The Terrace or Innovation Place? What's the situation in that regard?

**Hon. Ms. Harpauer:** — There's more pressure in Saskatoon than Regina. And there isn't a lot of vacancies. So the vacancy rate in 2008 was 4.25 per cent, and that dropped to 2.79 per cent in 2011.

**Mr. McCall:** — So again for the years under consideration, there's been no sort of additional space or capacity brought on stream with SOCO. Is that a correct statement?

[10:45]

**Hon. Ms. Harpauer:** — That's correct.

**Mr. McCall:** — Okay. Are there plans to, again with the change in policy direction coming forward in 2009, are there plans to increase the offerings of SOCO to meet this demand that the minister has described?

**Hon. Ms. Harpauer:** — We don't have a specific plan, but I can say that it is something that government has discussed and know that we need to explore possible options going forward. However there is no specific plan or want to go forward right now.

**Mr. McCall:** — In terms of the role that SOCO plays in fostering innovation and commercializing research that has been done on our two campuses — and you know, quite successfully I think lo these many years on from the founding of Innovation Place and the later addition at the University of Regina — is there an immediate plan to see what can be done about providing that space under the flag of SOCO, or is it still just general discussions?

**Hon. Ms. Harpauer:** — As I said, there is no immediate plan; it's just general discussions. We absolutely understand the importance of our research park and the great work that they do. It's not a matter of conflicting good and bad ideas of where capital dollars should be spent. It is a matter of a lot of good ideas and which ones do we do first. And that's the challenge that we have in making those decisions as a government.

**Mr. McCall:** — So again in 2009 with the change in policy direction around how any new buildings would be financed, did SOCO then come back to the government with any . . . or to the CIC with any proposals on how that new policy direction might be fleshed out?

**Hon. Ms. Harpauer:** — I've been advised that no formal proposal went to CIC from SOCO.

**Mr. McCall:** — Has SOCO been doing work on it internally to — again by the description of minister and officials — meeting the popularity of SOCO's offerings and how they might do that in the new policy environment?

**Hon. Ms. Harpauer:** — My understanding is they have done some exploration on possible P3 [public-private partnership] options.

**Mr. McCall:** — Again, P3, how? What kind of P3s are we talking about, Madam Minister? It's a very big heading. There's a lot of, a lot of activity takes place underneath it.

**Hon. Ms. Harpauer:** — And I understand. I mean P3 isn't one thing or one model, so I will get . . . Since management has been the one exploring it, I'll get Doug to answer the question.

**Mr. Tastad:** — We did investigate the possibility of private ownership of a building that we would lease and then sublease to the prospective tenants. And that is a feasible option but it doesn't transfer a great deal of risk from our company to the private company. It would be private ownership but the risk would still be with us.

**Mr. McCall:** — So any considerations like that ongoing or that one was examined, that particular approach was examined and then discarded? Or what's the status of it, Mr. President?

**Mr. Tastad:** — Yes. We examined it and we didn't proceed.

**Mr. McCall:** — Okay. And again these things are about



precision. If you don't ask the question, then later on you get blamed for not asking the question. But any other investigations such as this into possible P3 offerings to meet the capital needs of SOCO?

**Mr. Tastad:** — Nothing formal. We have on occasion in the past leased land to proponents but we don't have any formal proposal in that regard right now. By leasing I mean, as an example, the Saskatchewan Disease Control Laboratory is not our building. It's owned by Central Services and they leased land from us and constructed the building. We have done that with some private companies in the past as well, but we don't have any specific proposals in place right now.

**Mr. McCall:** — Thank you. I guess moving on slowly into the future, Madam Minister, year 2010 — and we were both wrong in fact — it was Minister Norris at the time but, you know, no bonus points for either of us. 2010, if the minister or officials could describe the operations of SOCO and any particular points of interest therein.

**Hon. Ms. Harpauer:** — In 2010, the total revenue was 36.187 million. The total expenses was 29.939 million, and the value of the assets was 68.157 million. Again there was no changes in the complement of employees or the deployment of those employees. There were no substantive changes in either the building structures or the policies of SOCO.

**Mr. McCall:** — Okay. And again any particular points of interest in terms of new trends emerging around start-ups or sort of business offerings or lines of business that were either accelerated or concluded? Anything the minister cares to describe in terms of that year?

**Hon. Ms. Harpauer:** — I'm going to pass that question to Doug, of course, who has the relationship with the tenants better than I.

**Mr. Tastad:** — We have seen quite an increase in interest from start-up companies. As I said, we've had 27 companies start new businesses in our campuses in the last three years. So that has been I think an indication of the strong economy. The other trend that we've seen has been, not surprisingly, a lot of growth in mining technology because . . . in support of the mining industry. So those are both important trends over the last couple of years.

**Mr. McCall:** — One of the bets initially made, and I think reasonably so, was the co-locating the research parks with the universities to take advantage of existing research and ongoing intellectual capital located at the universities. With the start-ups, is that . . . Do you find that the university community is expressing themselves on the start-ups, or are they coming from different places in the province or outside of the province to take advantage of that co-location? Is there any sort of way that the minister or officials has to describe who these start-ups are, and are they coming . . . Are they offshoots of existing ventures at the university, are they totally different, or are they some combination thereof?

**Mr. Tastad:** — Most of our, in fact the vast majority of start-ups really throughout the history of them, of the parks, have come from . . . or have been established by individuals that

have a relationship with the university. A surprising . . . Maybe not surprising. A large number of recent graduates of the university, they're probably our single biggest source of start-up companies. We have had, you know, a relatively large number of start-ups established through the university process or by faculty members, but we've had more created by recent graduate students. So the relationship's very strong, but it's not possibly as formal as you might think.

**Mr. McCall:** — Okay. But the proximity is very advantageous.

**Mr. Tastad:** — Very valuable.

**Mr. McCall:** — Yes. Is there any sort of notion that as the universities themselves have expanded in terms of the physical footprints of campuses and the research community in its diversity and on, is there any sort of sense that SOCO has kept up with the opportunity of the Saskatchewan Opportunities Corporation or is there a sense of . . . Are you meeting the challenge that is there in terms of this opportunity that is presenting?

**Mr. Tastad:** — Could you explain exactly what . . . I mean we have I believe been able to manage our inventory well, and we've been able to react to the opportunities that have presented themselves. We have university tenants in both campuses, our campuses, so we have been able to serve a valuable function for the universities as far as providing certain kinds of space that they weren't able to provide themselves.

**Mr. McCall:** — Absolutely, and I don't disagree with that, Mr. President. But I guess my question is, is there a sense that you've got a good thing and you see growth in the other sort of constituent parts that SOCO was set up to serve and to maximize opportunity? Is SOCO keeping up to those opportunities in terms of the offerings that it brings to the table?

**Mr. Tastad:** — I believe so. I think we've, based on the direction we've received, we've changed some strategies in the way we react to opportunities. We have more stress on start-ups because we're better able to handle them with the limited amount of space. But to date, I don't believe we have missed out on any major specific opportunities.

**Mr. McCall:** — So in terms of one of the major growth areas, though, with the start-ups — as the minister and officials have described being relatively small in their own right but in the aggregate, the big, new, exciting thing that's happening with SOCO — are there things that SOCO could do to better foster that development, better realize that opportunity?

**Hon. Ms. Harpauer:** — Well like I said, you can always do things better. But I think that . . . you were just . . . There hasn't been an identified opportunity that's been lost yet. So it's pretty hard to give specifics on what we could do differently without having a specific opportunity that we might be missing because as Doug pointed out, we haven't missed a specific opportunity.

However, you know, I have great confidence that should we, and if we, decide to expand space, we'd find tenants in a growing province for that space. It's just a matter again of the pressures of where capital dollars are spent and what projects go forward when.

**Mr. McCall:** — Could the minister or officials specifically describe the operations in Prince Albert and how those have been either succeeding or what sort of challenges are there, where things are at with the Prince Albert operations of SOCO for the years under consideration of course.

**Mr. Tastad:** — As you may know, we were directed to develop a building in Prince Albert for the forest sector, which is a bit of a departure from our two university campuses. We developed what we think is a great building in Prince Albert.

As of to date . . . I have actually the tenant rosters from both 2011 and now. And in 2011, we had 15 tenants, and 11 of them were from the forest sector. There was some vacancy at that time. At present the building is effectively full. We have just a couple of very small spaces. And the growth since 2011 to date has not been with additional forest sector clients, but we felt it was prudent to fill the building as opposed to restrict ourselves just to the forest sector. So there's still the majority of the tenants in the building do serve the forest sector, but there are certainly some tenants that aren't directly related.

**Mr. McCall:** — Can the official describe . . . Is there any sort of trend with the other tenants that are filling the building? Are they still sort of a research-based group, or who else has come to the forestry centre?

[11:00]

**Mr. Tastad:** — We have the largest sectors within that, that are represented within that building, that aren't related to the forest sector. We have some . . . We have a law firm and Crown prosecutor's office from the provincial government, and we have a major accounting firm.

**Mr. McCall:** — One more time for the government operations in the building?

**Mr. Tastad:** — We do have . . . The Crown prosecutor's office in Prince Albert has space in that building.

**Mr. McCall:** — Okay.

**Hon. Ms. Harpauer:** — If I may, I'd just like to point out we haven't had the vacancy pressures in the P.A. [Prince Albert] building that has been experienced in Regina and Saskatoon campuses. So in P.A., it's a downtown building. It is a beautiful building. But there hasn't been the vacancy pressures. It's a matter of filling the spaces so they don't sit empty.

**Mr. McCall:** — All right. Thanks for that, Madam Minister and officials.

Moving on to year 2011, anything the minister or officials would like to specifically highlight for that year's annual report?

**Hon. Ms. Harpauer:** — So in 2011, the total revenues were thirty-nine million eight hundred and seventy-two. The total expenses were thirty-five million two hundred and seventy-six. And the asset value was 191.014 million.

The significant change you will notice is in the value of the

assets. And that is the year that the government decided or the Ministry of Finance decided to transfer the assets that were moved to the GRF [General Revenue Fund] accounting in 2004 to pay off SOCO's debt. And the decision of the Finance ministry in 2011 was to transfer those assets back to SOCO so it would be more transparent as SOCO's actual assets and expenses and revenues. So you will see from 2010 to 2011 a significant increase in the value of the assets, and that is because 121 million I believe was transferred from the GRF back to SOCO.

There was no, again, no buildings changes, and there was no policy changes, and there was no significant employment changes.

**Mr. McCall:** — Well I guess, Mr. Chair, that will conclude our consideration of the annual reports for today. I just thank the minister and officials for the work that they do in making sure that innovation and research has a place to go boldly forth. But thank you, Minister, and officials for the time you've spent with us here today. Don't stay away so long next time.

**Hon. Ms. Harpauer:** — Thank you very much to all the committee members. And we will forward to this committee a list of the tenants for each of the respective years that Mr. McCall has asked for. And I thank my officials very much for coming here today.

**The Chair:** — I thank the minister and officials for appearing and members for asking questions. Now that we're . . . To conclude, I would ask that a member would move a motion concluding:

That this committee conclude its consideration of 2008, 2009, 2010, and 2011 annual reports for Saskatchewan Opportunities Corporation.

Mr. Hickie so moves. Committee, all in favour?

**Some Hon. Members:** — Agreed.

**The Chair:** — Agreed. Motion carried. I would ask a member now to move a motion of adjournment. Mr. Bjornerud has moved that we now adjourn. All those in favour?

**Some Hon. Members:** — Agreed.

**The Chair:** — Motion carried. I want to thank the committee again for meeting, and we're at the call of the Chair for our next meeting. Thank you.

[The committee adjourned at 11:05.]