



STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

Hansard Verbatim Report

No. 46 – May 12, 2015



Legislative Assembly of Saskatchewan

Twenty-Seventh Legislature

STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

Mr. Fred Bradshaw, Chair
Carrot River Valley

Ms. Cathy Sproule, Deputy Chair
Saskatoon Nutana

Mr. Greg Brkich
Arm River-Watrous

Ms. June Draude
Kelvington-Wadena

Mr. Rob Norris
Saskatoon Greystone

Mr. Kevin Phillips
Melfort

Mr. Randy Weekes
Biggar

[The committee met at 19:01.]

The Chair: — Well good evening and welcome to our Crown and Central Agencies meeting of May the 12th. I would like to welcome all the members here. From the NDP [New Democratic Party], we have Trent Wotherspoon. From the Saskatchewan Party, we have Greg Brkich, June Draude, Rob Norris, Kevin Phillips, and Randy Weekes. Trent Wotherspoon is actually substituting for Cathy Sproule.

We have three documents to table today. They are CCA 176/27, Crown Investments Corporation of Saskatchewan (CIC): A report of public losses (January 1, 2015 to March 31, 2015) for CIC and its subsidiary Crown Corporations, dated May 1st, 2015. We also have CCA 177/27, Minister Responsible for Public Service Commission: Responses to questions raised at the March 31, 2015 meeting of the committee re contractual work with the Ministry and Workforce Adjustments from 2013-2014 budget summary, dated May 4th, 2015. And we have CCA 178/27, Provincial Auditor: Report on the 2014 Financial Statements of CIC Crown Corporations and Related Entities, dated May 1, 2015.

Members have a copy of today's agenda. If members are in agreement, we will proceed with the agenda. Everybody's agreed.

Bill No. 158 — *The Saskatchewan Pension Plan Amendment Act, 2014*

The Chair: — We will now consider Bill No. 158, *The Saskatchewan Pension Plan Amendment Act, 2014*. We'll start with clause 1, short title. Mr. Minister, if you have any opening remarks you may proceed, and please introduce your officials.

Clause 1

Hon. Mr. Krawetz: — Thank you very much, Mr. Chair. Mr. Chair, before we begin with Bill 158, as of our last meeting back on April the 22nd there were questions asked by Mr. Wotherspoon about implications on Saskatchewan of the federal budget, some of the implications for Saskatchewan regarding personal income tax, the corporate income tax measures that were announced in the budget. There were many. And then of course back in the fall of 2014, the federal government had also announced numerous changes to things like the family tax, universal child care benefit, etc. So, Mr. Chair, I'm pleased to provide the information, as we said we would, to the committee for their analysis.

Thank you. And I'll turn now to Bill 158 and quickly introduce the two officials that are seated with me. On my left of course is Clare Isman, the deputy minister of Finance, as everyone knows. And on my right is Katherine Strutt. Katherine is the general manager of the Saskatchewan Pension Plan at Kindersley, and I'm very pleased to have her here tonight to answer any of the questions very specific to the SPP [Saskatchewan Pension Plan].

Mr. Chair, it is my pleasure to speak about Bill 158. I'm going to make my remarks very short this evening. Amendments are required to both the Act and the regulations so that the language

reflects current circumstances, updating outdated terms such as "interest" with the more appropriate term "earnings," and in order to bring the Act in line with best practices contained in other government pension plans. The Act has been in place since 1986, and this will be the first comprehensive update since that time.

In addition to modernizing the language, the amendments will also allow members to object to a marital division of their account, update the duties and powers of the board of trustees to recognize the board's authority to issue prescribed pension benefits through regulation, to implement unitization, and to establish specialty investment funds for members.

It will also update sections that will allow members to transfer out of the plan to other locked-in retirement vehicles prior to age 55, and it will repeal Bill 52, *The Saskatchewan Pension Plan Amendment Act, 2013* as the provisions of that bill are included in these amendments. The language clarifies the board's duties and authorities but does not expand these beyond current practices.

So with those opening comments, Mr. Chair, I think the explanation in second reading that was given in the House gave a number of statistics about the size of the plan, the kinds of things that were necessary to ensure that the SPP continues to operate as an organization that now, as I indicated, is well beyond 25 years.

So with that, I'll turn it back to the committee for comments on the specifics of the bill.

The Chair: — Thank you, Mr. Minister. What I would like to do right now is table the CCA 179/27, Ministry of Finance: Responses to questions asked on April 22, 2015 meeting of the committee re Federal Budget Tax Measures.

Well thank you very much. Are there any comments or questions on the bill? Mr. Wotherspoon.

Mr. Wotherspoon: — Thank you, Mr. Chair, and thank you to the minister and for officials that have joined us here tonight. Certainly the Saskatchewan Pension Plan is an important plan to those that have utilized it, and it's been well managed. It's provided good returns. The flexibility of it is important and the general . . . I guess how efficient it is, in the sense of there is not a large cost of management within this plan. So it's a good option for Saskatchewan residents. So certainly we're interested in making sure that legislation that supports it is as strong as it can be.

I'm interested in just hearing who was consulted through the process of making these changes.

Ms. Strutt: — We always are asking our members for what they would like. We have, through our blog and our website and through our newsletters, since this is a rewrite and we're not really adding . . . we're not radically changing it, it was more just to the members, the board, other pension plans to see what was best practices there. That's what we would have done.

Mr. Wotherspoon: — Thanks for that information. And some

of the changes are as a result of Bill No. 82, and it's my understanding that Bill 82 hasn't been proclaimed. Is that correct?

Hon. Mr. Krawetz: — That is correct. And that is why we're, instead of confusing people with two bills, we're just going to repeal that bill because all of the conditions that were implemented in Bill 82 are now being implemented in this Act.

Mr. Wotherspoon: — Okay. And Bill 82, so then in the way it was drafted or some of the inclusions in that were considered not to be . . . I guess, was there a problem specifically with Bill 82? I just want to get a sense of what went into Bill 82 and why it's being repealed and why it's being replaced with this legislation.

Ms. Strutt: — Bill 82 dealt with mainly the change to survivor benefits, so on an active account and on retirement, in order to now allow plan members to transfer money in from locked-in retirement accounts. So there's certain provisions under the LIRA [locked-in retirement account] or *The Pension Benefits Act* that's administered by FCAA [Financial and Consumer Affairs Authority of Saskatchewan] that says on active members the beneficiary must be the spouse, and the standard form of pension for a married person would be a joint and last survivor, 60 per cent.

So those are some of the changes that were incorporated in Bill 82. There's also, we have to allow people to be able to transfer out prior to age 55. So there's some other things that, as we were going through the regulations we hadn't incorporated everything, and in the process of doing that, then got back on the legislative docket for this and thought it's just easier to do them all at the same time. So we haven't changed anything that was in Bill 82. We've just brought it forward to be a more comprehensive change in this bill.

Mr. Wotherspoon: — Thank you for that. Could you just share why, I guess what motivated the change for being able to make sure that members would be able to transfer their holdings to a different plan before the age 55?

Certainly I think this is a measure of flexibility and understanding how one's work career may change. It seems to be an important measure. But can you just provide us some understanding to make sure we've understood what, you know, I guess what's motivated this change and then what the consequences are?

Ms. Strutt: — It's motivated by being able to accept money in from a LIRA. So there's lots of little pockets of money that exist in other places; someone who's worked for a company for not very long and their money is there, and they want to be able to transfer and consolidate into the Saskatchewan Pension Plan.

So one of the provisions of being able to do that is that people can also transfer out prior to age 55, but still to a locked-in retirement account. Part of it is the flexibility as the plan grows, still recognizing that it will be locked in. It's to be used for retirement purposes, but it's part of the trade-off, for us to be able to accept money in, we also are going to have to be able to transfer money out.

Mr. Wotherspoon: — That makes complete sense. Could you speak to the actual management costs that are associated with this fund by way of per cent?

Ms. Strutt: — We target 1 per cent or less and that's total, all-in. So that's the administration salaries, investment costs, custodial costs, all costs. Last year was point nine five. So our average over the last five years has been 1 per cent, and that's certainly the target that we are looking at. As assets grow, we would look to be bringing that down as we get more economies of scale.

Mr. Wotherspoon: — Certainly that's really important, being able to keep that cost down, and certainly the Saskatchewan Pension Plan has a proud record on that front. I think for many investors, that's an important point for them to know, and I know certainly it's one that the plan communicates.

Are you able to share, just more for the public at large — so your cost is under 1 per cent, about point nine five — what the, I guess, going rate or industry standard is by way of some of the mutual-fund-type options for the public?

Ms. Strutt: — A retail mutual fund that was of a similar investment could go anywhere from 2 to 3 per cent, just depending.

Mr. Wotherspoon: — And of course we're not here to give investment advice tonight to Saskatchewan people, but certainly, you know, a management expense cost of under 1 per cent, as opposed to the 2 or 3 per cent that might be there on some other retail products, certainly should be of consideration to someone who's doing calculations as to what that means as far as the impact on their funds.

Hon. Mr. Krawetz: — Yes, Mr. Wotherspoon. I'd just like to throw a statistic there for people to understand that, you know, the plan contains about 33,000 members; 23,000 more or less are active, and 10,000 are retired. But the interesting thing, this last, up to September 5th of 2014 we had 983 new members in SPP. So there's no question that people are looking at that.

It is still a small pension plan, and I think as we discuss across the province and across Canada, you've made the point about discussions with the federal government around the Canada Pension Plan and whether that should be enhanced and, you know, that's something that is still being considered. But I think right here in Saskatchewan, you know, we've had a hidden secret, and that secret has been the Saskatchewan Pension Plan.

You know, with that kind of investment that is there now, with the kind of membership that we have and that people are still seeing the Saskatchewan Pension Plan is a viable pension to place their dollars. So it's encouraging to see that there's still new members that are looking at the plan, and that's why, that's why we want to update it. We want to make sure that — as to your question, it's a very valid question — while we want to have transfers in, we also have to be reciprocal and we'll allow for the transfers out, but we do hope that transfers in are going to exceed the transfers out.

Mr. Wotherspoon: — So I appreciate the changes are quite practical in nature. I appreciate the genesis of what's been

described as to where they've come from. I recognize the importance of this fund, and I'm thankful for all those that are there managing it and directing it, the board of directors as well. So I'm thankful on all those fronts. I just want to place on the record, as I have many times with the minister before, that I certainly don't see this pension plan as an adequate response to the greater issue of income security or retirement income security.

[19:15]

And certainly I would urge the minister on that front, and the Premier, to be supportive of the expansion of the Canada Pension Plan, something that really could go a distance to providing income security for really so many others. This is a voluntary plan, a good plan, and one that certainly I think is an important tool within retirement security, one that I want to make sure is viable and providing the good, strong return to those that have invested in it.

But I would certainly continue to urge the minister at the federal table to take up a supportive position of expanding the Canada Pension Plan because that's something that is a pan-Canadian solution that's efficient as well, that's flexible and portable, and something that really could, really would be an incredibly important change for so many Canadians, certainly for Saskatchewan people as well.

With that being said, I don't have any other questions regarding this legislation.

Hon. Mr. Krawetz: — Thank you, Mr. Wotherspoon. If I can, I just want to put on the record — and I recognize your point of view, and it's one that also is supported by a number of people as well — there is a triennial review that is undergoing right now and it's the review from 2013 to 2105 of the Canada Pension Plan. So Finance officials are working diligently with the federal and provincial and territorial counterparts to examine the impacts of the forthcoming increases to the age of eligibility for old age security — that's a specific change — on CPP [Canada Pension Plan], disability, and survivor benefits.

So you know, the late Minister Flaherty was very, very adamant that the discussions ended in December, I think, of 2013, saying that he was just not willing to impose an additional payroll tax in uncertain economic times. And there's, you know, there's hope, I'm sure, around the world that economic stability is going to return and that we'll see some growth. And if the federal government determines that there is sufficient stability and wants to then do a review of CPP, you know, we have suggested, I have suggested to the ministers at the table, I suggested what we call almost a Saskatchewan idea that says, you know, while we recognize that maybe the federal government — because of course the employer here is a matching contributor — is that maybe we should allow employees to indeed contribute more to the CPP, if indeed the employer is not required to.

So that was something that was of interest to federal officials, but it's still under discussion. And you know, somewhere down the road after I'm not the Finance minister anymore, I'm sure there'll be other discussions about CPP, and we have to be open minded. I'm very open minded to the pooled registered pension

plans that are going to . . . We know that there is tremendous interest from different providers, and I think once the federal framework is put together very shortly, we should see opportunities for different companies to pursue the pooled registered pension plans. Will that be an option that people consider and take advantage of? It remains to be seen.

The Chair: — Mr. Wotherspoon.

Mr. Wotherspoon: — Thanks to the minister for a few of the updates. Again, I would just urge though some caution around looking to split up and place a larger onus simply on the worker. I think that we all benefit when we have some stability economically, not just in, you know, certainly in households and then throughout the community. This is a very efficient fund that provides a strong return, and delaying action on this front causes an issue for certainly the retirement security issue.

And the notion around whether the economy is strong enough to implement these changes federally I think is sometimes the wrong approach, the failure for us to take these very common sense measures now that economists from around the world and certainly through Canada say are very common sense measures. This provides some very important stability to the economic futures of those households, which we should certainly care about.

Without doing so, there is massive economic uncertainty to millions and millions of Canadians and hundreds, or tens and tens of thousands of Saskatchewan people, and then a measure as well that of course will provide economic stability in a larger sense for our province and for Canada. And without ensuring some of that economic stability, a real crisis could be the reality for far too many Saskatchewan people on this front. As I'm sure the minister would recognize it, it's much more costly for governments to respond to crisis, as opposed to laying out a common sense investment well in advance.

So I'd urge support of expansion of the Canada Pension Plan, and I don't have any further questions of this bill here tonight.

The Chair: — Thank you. Are there any more questions?

We will now proceed to vote on Bill 158. Clause 1, short title, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried.

[Clause 1 agreed to].

[Clauses 2 to 20 inclusive agreed to.]

The Chair: — Her Majesty, by and with the advice and consent of the Legislative Assembly of Saskatchewan, enacts as follows: *The Saskatchewan Pension Plan Amendment Act, 2014*.

I would ask a member to move that we report Bill No. 158, *The Saskatchewan Pension Plan Amendment Act, 2014* without amendment. We have Rob Norris.

Mr. Norris: — I so move.

The Chair: — Mr. Norris moved. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried.

Bill No. 178 — *The Income Tax Amendment Act, 2015*

The Chair: — We will now consider Bill No. 178, *The Income Tax Amendment Act, 2015*. We will start with clause 1, short title. Mr. Minister, if you have any opening remarks, you may proceed.

Clause 1

Hon. Mr. Krawetz: — Thank you, Mr. Chair. I'll be brief. I'd just like to introduce Arun Srinivas to my right here who's joined us with all the knowledge of all of the different components of the bill.

Mr. Chair, *The Income Tax Act, 2000* is being amended to legislate income tax initiatives announced by the government in the 2015-16 budget. This bill implements the budget-related income tax initiatives, and those were of course — I'll identify the five — to create the new manufacturing and processing exporter tax incentive. It was to create the new corporate income tax rebate for capital investment in primary steel production. It was also to reduce the rate of the research and development tax credit and make all credits non-refundable. It was to require the graduate retention program tuition rebate instalments to be applied against provincial taxes otherwise payable, and apply an income test to the active families benefit. Also, Mr. Chair, this bill includes technical amendments requested by the Canada Revenue Agency, referred to in the acronym CRA.

So, Mr. Chair, those are my opening comments. We've had discussion in some of the other ministries of course, with the graduate retention program being the responsibility of Advanced Ed and the active families benefit, some of that being in Social Services. I've heard questions throughout the legislature during estimates of different ministries. But we're here to provide any information on the exact, specific clauses. And that is why I, in my opening remarks I said Arun Srinivas will be able to handle, I'm sure, any of the committee members' questions on certain clauses.

The Chair: — Thank you, Minister. Are there any comments or questions on the bill?

Mr. Wotherspoon: — Yes.

The Chair: — Mr. Wotherspoon.

Mr. Wotherspoon: — Yes, thanks, Mr. Chair. You know, I guess, just to put onto the record, certainly some of the measures that have been brought forward here that have an impact and added cost to families are of big concern. I know that we'll have noted those as an opposition at various tables since budget day, on budget day, through extensive estimates with respective ministers, whether it relates to the active

families benefit or whether it relates to the changes and broken promise to the graduate retention program. It's not my intention tonight to rehash and reopen all the debate on those measures. There are definite concerns that we've put clearly onto the record, so I think I'll focus in more on what the technical changes are here tonight. I know that the changes are a requirement of the budget, a budget that we noted our concerns right from the get-go about the heavy hit to Saskatchewan families.

But I would like to maybe just get a better technical understanding of the manufacturers tax credit, and so if someone could provide, I guess, an understanding . . . It's been described as revenue neutral. I'm just wondering how you've captured I guess, what parameters you've placed on this measure to ensure that it is revenue neutral, and what early confidence you have that there's going to be uptake in the manufacturing industry — certainly an important industry to Saskatchewan people, and I would note that year over year has shed significant jobs.

Mr. Srinivas: — All right. Thank you, Mr. Chair, and to the committee. I'll start with the MP [manufacturing and processing] exporter tax incentive and start by saying that it was developed in support of the government's plan for growth to incent the rapid increase in Saskatchewan's manufacturing exports over the next five years.

The incentive provides a non-refundable corporate income tax credit for each of the 2015 through 2019 taxation years to eligible corporations that expand the number of their full-time employees above the number that were employed in the 2014 taxation year. Eligible businesses are those that export to the rest of Canada or internationally at least 25 per cent of their manufactured goods each year, and that either manufacture or process goods for sale or are principally involved in the commercial development of new economy products for export including interactive digital media products and creative industry products.

The tax incentive consists of two components. There's a general hiring tax credit and a head office tax credit. The hiring tax credit will offer a non-refundable credit of \$3,000 each year in respect of incremental full-time employees that are hired by the eligible business, and the head office tax credit will offer a non-refundable tax credit equal to \$10,000 each year in respect of incremental full-time head office employees hired by the business. The head office credit is subject to minimum qualifying and incremental employment thresholds. An employee cannot be claimed under both credits, but an employee who cannot be claimed under the head office credit can be claimed under the hiring tax credit.

Maybe I can just describe very quickly how we came up with the amounts for the tax credits. The \$3,000 tax credit was based on an analysis of average wages in the manufacturing sector and the amount of personal income tax that would accrue to the provincial treasury as a result of new employment in that sector at that income level, and so the tax credit is set at roughly that amount of personal income tax revenue that would accrue. Similarly for the head office tax credit, it is set at an amount roughly equivalent to the amount of personal income tax that would accrue to the treasury as a result of new employment at

that level.

[19:30]

Mr. Wotherspoon: — Thank you very much. Certainly, as I say, the manufacturing industry has a proud history in Saskatchewan and it's a very important industry, so measures need to be impactful within that industry and, you know, certainly the uptake is going to be important.

How are you as far as making sure that these are new jobs? If there's shifts within the economy, if there's slowdowns in certain sectors and individuals are taking on . . . I guess potentially leaving employment in a certain sector or laid off or losing their employment and then moving over to manufacturing, is there any measure to capture that within these tools here?

Mr. Srinivas: — Yes, I can describe that as well. For each year of the five years of the program, we will refer back to the base employment level for a particular company. So if the company had 100 employees in 2014 and they had 110 employees in 2015, then they would get a credit in respect of those 10 incremental employees. If in 2016 they only had 105 employees, then their credit would only be for five incremental employees in the 2016 taxation year. So for each year, as the employment of the company rises or in some cases falls due to economic circumstances, then we would not provide a credit if . . . You know, we would only provide a credit, sorry, for incremental employment over the base year.

Mr. Wotherspoon: — And I guess if in one part of the economy, if there was jobs that were being lost in a certain sector and then potentially those workers taking up employment in the manufacturing sector, the income tax that they would have been paying out of that other sector and out of that other employment would no longer be received by the province of Saskatchewan. Am I correct on that?

Hon. Mr. Krawetz: — Well, Mr. Wotherspoon, the difference will be of course that the manufacturing and processing company must meet the criteria. If they're hiring more people, I guess, whether they're coming from a previous job that no longer exists or whether they're brand new students coming out of a training program and they're now hired in that manufacturing process by the manufacturing company, as Arun has indicated, it will always be compared back to 2014 for that company. Now if there is another company that is not a manufacturing and processing company and it goes through cyclical changes, ups, downs, they're not going to be receiving this incentive.

We're always looking at trying to be revenue neutral because in the manufacturing and the processing sector, as we try to grow the economy and grow the province, the outline, as explained by Arun, around a 50,000 salary average, we know that PIT [principal, interest, and taxes] is the only calculation that we've used. There will be other incomes to government that will make sure that government probably is going to be getting more revenue from a new job created in this particular company over indeed the \$3,000 tax credit that will be given to a person in that sector.

In the head office, same criteria. I mean we're talking about a larger salary in head office jobs, but it's still going to be revenue neutral because when that employee now works in Saskatchewan for that respective salary, they will be contributing more revenue to the government than the \$3,000 or the \$10,000 credit.

Mr. Wotherspoon: — The length of this, right now is there a period of time for which this commitment's been made?

Mr. Srinivas: — Yes, the legislation sets out that it's a five-year program. It lasts for the 2015 through the 2019 taxation years.

Mr. Wotherspoon: — Is there any measure to encourage the stability of those jobs post-2019? Is there any financial measure attached to it after 2019, or after 2019 the company is free and clear?

Mr. Srinivas: — Yes, the program is designed to encourage a rapid increase in Saskatchewan's exports over the next five years. Beyond that point, to the extent that a corporation has earned credits and has not been able to apply them against Saskatchewan taxes payable, there's a five-year carry-forward to the credits that have been already earned.

Mr. Wotherspoon: — Thanks for the information on this front. And certainly I mean this is, you know, the measures that are going to meaningfully support the manufacturing sector are important. Certainly it's important to protect fiscal capacity of the province, and so we'll certainly track this moving forward and certainly in our consultation and meeting with many of the manufacturers, many of the companies across Saskatchewan. Have you got any early indication as to what you're going to expect by way of uptake?

Mr. Srinivas: — Through the Ministry of Economy, we've had some expressions of interest. We've had some inquiries come in from companies about eligibility and how the program works and the application process for the credit. Because the tax credit will be administered by Saskatchewan Finance as opposed to the Canada Revenue Agency, we've had some inquiries about, you know, how companies would go about applying.

Mr. Wotherspoon: — At what date were employment levels set at?

Mr. Srinivas: — It's as of the corporation's fiscal year-end, the base year being the corporation's fiscal year-end ending in 2014, and then for each successive taxation year of the corporation.

Mr. Wotherspoon: — I don't have any further questions on that piece right now.

What about over on the primary steel credit? Maybe some detail on that front and how that's proceeding and if there's been any changes recently over with that employer.

Mr. Srinivas: — Okay. Thank you once again. Again the incentive for primary steel production was created in support of the government's plan for growth and the commitment to encourage new capital investment in the manufacturing and

processing sector. The incentive will be available to eligible primary steel producers that make a minimum capital investment of \$100 million in new or expanded productive capacity, and we'll provide a rebate of new or incremental Saskatchewan corporate income tax payable by a corporation as a result of the new investment.

The amount of the eligible tax that is eligible to be rebated under this incentive will be based on the proportionate increase in the facility's productive capacity resulting from the investment. The incentive would be available for a five-year period, and we'll rebate the full amount of the incremental tax for each of the first two years of the rebate period followed by 75 per cent of incremental tax in the third year, 50 per cent of incremental tax in the fourth year, and 25 per cent of incremental tax in the fifth year.

As a new-growth tax incentive, there's no cost to the provincial treasury because the incentive is based on incremental tax revenue from the new investment which would not have occurred had the new investment not happened. So that's that one.

Mr. Wotherspoon: — And the productive capacity, what's the date and time that it's measured? Would that be the fiscal year-end of this previous year?

Mr. Srinivas: — It'll be the productive capacity of the facility before the investment has been made, and then we would compare that to the productive capacity once the investment is complete and the facility is operating, fully operating with that new investment.

Mr. Wotherspoon: — Is the minister aware of layoffs, layoff notices that have recently went out from that facility?

Hon. Mr. Krawetz: — Thank you to my official, and I'll answer that question. We are aware of some change that will occur at the company as it moves into the expansion. They have to shut the plant down to ensure that the burners and all of the heat that's generated from steel melting is off and cooled right down before the expansion can take place. So they're moving ahead with the expansion and, as a result, of course, as the actual steel furnace is shut down, then there will be some individuals that will be temporarily on layoff.

Mr. Wotherspoon: — So the impact of the layoffs, the notices that have gone out, are those all a result of the shutdown of the burners and heat that's been described by the minister?

Hon. Mr. Krawetz: — Yes. As far as we know, that's the result of the expansion.

Mr. Wotherspoon: — Now the minister described these as temporary. Is that what he believes has been communicated to workers, or is it an indefinite layoff that workers have received?

Hon. Mr. Krawetz: — No. Clearly the layoff is for those employees that are not working because the furnaces are not working. It is the clear direction of this particular steel company that they're going to be up and running again the future. I don't have a timeline of the company in terms of how quick they will do their expansion and create this new add-on. I mean it's a

complicated process, transfer of equipment and machinery from another location in the United States and bringing it here. Those will definitely take some time, but there is a clear understanding that the furnaces are going to start again, and there'll be a requirement for people.

Mr. Wotherspoon: — How many workers are impacted by this shutdown of capacity?

Hon. Mr. Krawetz: — The project as outlined by the steel company is indicating that when the expansion is fully operational and is built and the new production is taking place, they're in fact going to have no layoffs and they're going to add 40 additional employees. So I think it's a very positive factor for, you know, Regina and area that we're not seeing any layoffs.

The other thing I think, Mr. Wotherspoon, that's important to recognize at least, many people, you know, were very pleased. There's always been discussion for years and years and years as to whether or not a big steel company that we have here in Regina and are so fortunate to have, we wanted to maintain it, and there was always discussions about whether or not it would leave someday. With a new addition and new production of a different kind of piping, I think that it does provide some stability, and I think you're going to be able to see that, you know, we have a better future for the people that are currently employed and for those additional 40 that will be added.

Mr. Wotherspoon: — Certainly the 40 additional jobs are important. Certainly the stability for that facility and that operation in Saskatchewan's very important, and certainly we welcome investment and expansion and to ensure its viability. But my question was how many workers have been given layoff notices or how many will, through the shutdown period?

Hon. Mr. Krawetz: — I'm sorry, we wouldn't know exactly how many. You know, that would be a policy of the employer. They don't report to us at Finance. Maybe there has been communication in Economy but, to my knowledge, my officials nor I know that answer.

Mr. Wotherspoon: — So no ballpark? I mean there was a decision to put forward this structure, and it seems by the minister with knowledge that it would lay off some workers to do the expansion. Did you have some clarity at that point or ballparks as to how many workers would be laid off and for what period of time?

Hon. Mr. Krawetz: — I can report, Mr. Wotherspoon, that that discussion did not take place. We just know that engineers were required to enter and do their work, and as a result there would be a temporary shutdown. So I mean, I guess we can try to find that out by contacting the management of the steel company to determine how many layoffs have been issued and for what length of time, but to date my officials nor I know that answer.

[19:45]

Mr. Wotherspoon: — Well I appreciate your honesty on that front. I am surprised, though, that there wasn't better clarity from the government as to what the impacts would be of this decision. Certainly a plant with greater capacity is a good thing.

Certainly additional workers over the long run is a good thing. But it's my understanding that quite a few workers have received notices. I don't know how many that is at this point, and I don't know, I don't believe the workers know right now for what duration that will be.

So that's certainly, I know, for many of my constituents and many across Regina, that's a big surprise to them. So I would have hoped if the government were entering into an arrangement that they'd have a better understanding of the impacts back on the households as well and some greater clarity to those workers.

Hon. Mr. Krawetz: — Thank you for that question. I guess I can answer that by indicating that annual maintenance occurs at these plants on an ongoing basis, and there are always moves that a company makes to let employees temporarily, to lay off employees so that they can perform the maintenance.

It is our understanding . . . I had a discussion with officials as early as a week ago that said that they were going to combine both the maintenance and the ability to begin the construction and the project by doing both at the same time. So you know, while I have not tracked this in the past, and I don't know whether Economy would have tracked in the past a year ago or two years ago, every year when maintenance occurs, how many employees would have been laid off. That has never been communicated. It's just an ongoing thing. There is temporary shutdown. There is people that are at work in one area of a plant and then are moved to another area of a plant.

We saw that occur in the potash industry very significantly when the additional billions of dollars were put into potash expansions for a while — and I'm going back to probably 2009 when there weren't a lot of potash sales — really there were no layoffs in the potash industry because they were put into repair and renovation and rebuilding, and we saw that.

So you know, we'll find that out, clearly. I mean, this is something that we are concerned about as well as to whether or not it has impacted many, many families: is this, you know, a temporary thing for just a few weeks or is it a few months? We will try to obtain that information directly from the management of the steel company.

Mr. Wotherspoon: — I appreciate the follow-up on that front. I am disappointed that it seems that it's with full knowledge of government that there'd be a shutdown for a period of time of the furnaces and that there'd be layoffs as a result of that, but that there's not an understanding of the period of time that that would occur. And I certainly know hearing from folks here today that there's families that are worried right now because they're not sure of what this layoff means and for what period of time they'll be laid off. And frankly, to be very honest, they're not feeling that this is part of the routine shutdown. They're feeling that this is a surprise to them.

So I'm disappointed that there may not have been a bit more due diligence and understanding on government's end what some of the impacts would be on the workers through the interim, at the very least to be able to communicate some understanding around what period of time and how many workers. That being said, the minister has stated that he'll be

doing some follow-up on this front. I appreciate him to do so and certainly I'll be doing some follow-up as well.

Hon. Mr. Krawetz: — Thank you, Mr. Wotherspoon. You know, committee members, I want to make this clear. I mean, as I indicated, we're extremely pleased to see an expansion here of a company that has been around for a long time, a company now that I think is going to become more stable in terms of meeting the challenges of producing material. And you know, and I recognize that it is a short-term loss, but it's for a long-term gain.

And as you've said, I mean we're extremely pleased that we're going to see an expansion, an expansion of the workforce there by 40. There are going to be more jobs. They're going to be well-paying jobs. And for the — you know, I think you will appreciate this comment, Mr. Wotherspoon — for the safety and the well-being of individuals, for engineers to be able to do that job of adding something brand new, they have to shut it down. And while somebody may be affected negatively, that will always occur when you have growth and renovation and progress. So we'll try to find out the impact on families and what other things the company is doing to provide support to these families. That is of concern, and we'll ensure that we track this very extensively.

The Chair: — Yes, Mr. Norris.

Mr. Norris: — Great. Thanks very much, Mr. Chair, and to our Minister of Finance, thanks very much. It's to just reinforce a few points and then just to ask a question.

Certainly a \$200 million investment literally within days of the budget sent a very, very positive message, especially to those 1,000 or so employees working at that facility. And to see that there is a real investment in long-term viability, I think helps to send a strong message about the nature of Saskatchewan's economy today, and this specific tax incentive.

And I'm just wondering as far as, as far as steps, there are very clear protocols in place, especially regarding labour relations that employers would be, you know, would be attentive to and engaged with. And so certainly as part of the due diligence that's to be undertaken, that'll be part of that and attention paid to it.

Is there any sense of what those 40 new jobs will help contribute to the local economy or provincial economy, just as we look? I think it's a two-year investment that the \$200 million is going to roll out over. Just to get a sense of what that looks like.

Hon. Mr. Krawetz: — Thank you for the question, Mr. Norris. In speaking with my officials, the company has not shared the expansion numbers in terms of the construction jobs that will be actually on site. That's something that they're keeping pretty close to the vest, kind of, if I can use that expression.

But you know, if we look at the 40 jobs — and clearly you're going to be talking about a job that's going to be in excess of 50,000; in that industry it's usually in excess of 75,000 — and when you start to look at the PIT alone, the PIT alone is going to be 4,000 per individual. So when you start to look at 4,000

times 40, it's \$160,000 worth of additional PIT. And on top of PIT, as everyone knows, I mean there are other sources of revenue that the province gets. We get taxes from fuel tax, and we'll get taxes from the PST [provincial sales tax]. We'll get taxes from or revenue from other things.

So you know, I think the addition of 40 jobs is very important. As I've indicated, it's going to provide additional revenue to the province. But the big thing, the big thing, it's been around for a long time. It's the stability of the fact that this major employer of, as you've indicated, over a thousand jobs, this major employer now is entrenched in being here as a viable company for the foreseeable future. And I think that's a really great thing for those people.

I recognize what Mr. Wotherspoon has said about that short-term pain, and we hope it's very short term and it's some short-term pain for some long-term gain. And I think that's what people were excited about when they heard that announcement very soon after the budget.

Mr. Norris: — Thank you.

The Chair: — Mr. Wotherspoon.

Mr. Wotherspoon: — Thanks for endeavouring to follow up as well. Certainly this operation is important to Regina in a big way to many, many families, has been for generations. And its long-term health and viability is incredibly important, and so certainly the expansion is important. Additional jobs are important. But I do know that the families that are impacted right now by layoff with uncertain terms will certainly deserve some clarity around what the cause of that is and what the terms and the period will be for those layoffs.

But I guess, moving along here, just one last piece. I know that it's referenced about some of the export goals of our province. Certainly we are an export-driven economy. We have certainly all sorts of wonderful product through manufacturing and through our resources to get to market. And just a reminder again of the importance of not just touting — and I'm not suggesting this is what you're doing — but not just touting the potential of that economy, but making sure that we have the transportation system and rail transportation in place to be able to serve that economy and all those players within our economy. And actually I think of this very steel producer as well. They certainly need to get that product to market and onto rails as well. And I know it's been such a challenge for so many of these companies and certainly producers across Saskatchewan on this front.

So I would urge attention on that front. It's important to the long-term fiscal well-being of Saskatchewan as a direct by-product of the economic health of the province, and certainly very important to this steel producer in discussion, of agricultural producers across Saskatchewan, and all of our exporters and industry.

At this point, I know we've discussed in other committees our concerns around the changes made to the graduate retention program. I know we've fleshed out the cost, the fiscal impact of those changes. Maybe if I could just get onto the record how many families will not be receiving or how many people will

not be receiving a graduate retention tax credit this year by way of your projections, based on these changes.

Hon. Mr. Krawetz: — Thank you very much, Mr. Wotherspoon, and to you, Mr. Chair. We can report the actual numbers from the 2012 taxation year. That's the year that we have the full numbers because of course you have about a two-year carry-over.

The entire tax credit that was applied against tax payable, in other words fully non-refundable, we had about 34,500 people that were involved there. In the entire tax credit refunded — and I think that's where your question is — is in that first year there were 15,400. And a tax credit that was applied against tax payable and there was a refund, there was about 4,400. So of that total amount, 54,300 would be the total number of individuals that claimed. And I think your question is around the ones, that 15,400 individuals that were fully refundable.

[20:00]

Now there is a need there to understand that many who graduate or get into the employment in their first year, they're in a partial situation. Even though they have a job and they have paid some income tax, it's not enough to qualify for the amount of refund that they're entitled to, so that's where the larger number is a refundable part.

That is one of the reasons why we changed the GRP [graduate retention program] to add the additional three years. Because when people get started at a job they may not be earning the full amount that they want to and, as a result of that, by the time they get into a full year and a full claim, which is usually into the second year, then they can get the benefit of getting the entire GRP credit that they were entitled to. So that's why we've added the additional three years.

Mr. Wotherspoon: — Like I said at the front end of this, I won't get into the debate that we have through the budget time. We've stated our concern and our opposition to these changes and the impact that it has on families, certainly representing a broken promise to those that have entered into education, often taking on significant debt and are coming out with expenses as well. And I've just heard from so many, so many families that are working hard to make ends meet and to get a start and were counting on that commitment to have been kept to them, but the technical changes are clear in here.

We don't support the direction government's taken on this front or with the active families benefit. The threshold itself I think that was chosen by government just demonstrates, I would say, a lack of understanding of the real pressures that households are facing by way of cost of living and of raising a family.

I'm loathe to get into the full debate here tonight because I know we're here to . . . This bill is here at a technical phase, and it's a reality of the budget that's been put forward. And so I don't have any further questions at this point in time as it relates to the measures in this legislation.

The Chair: — If that is all, we will now proceed to vote on Bill No. 178, *The Income Tax Amendment Act, 2015*. Clause 1, short title, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried.

[Clause 1 agreed to.]

[Clauses 2 to 19 inclusive agreed to.]

The Chair: — Her Majesty, by and with the advice and consent of the Legislative Assembly of Saskatchewan, enacts as follows: *The Income Tax Amendment Act, 2015*.

I would like to ask a member to move that we report Bill No. 178, *The Income Tax Amendment Act, 2015* without amendment.

Mr. Brkich: — I so move.

The Chair: — Mr. Brkich has moved. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. We'll take a very short adjournment, recess.

[The committee recessed for a period of time.]

**General Revenue Fund
Central Services
Vote 13**

The Chair: — Okay. This committee will now move on the consideration of estimates. Vote 13, Central Services, central management and services, subvote (CS01) in the amount of 48,000. There is no vote as this is statutory.

Property management, subvote (CS02) in the amount of 8,990,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Transportation and other services, subvote (CS05) in the amount of 4,410,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Project management, subvote (CS03) in the amount of nothing. This is for informational purposes only. There is no vote needed.

Information technologies, subvote (CS11) in amount of 14,546,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Major capital asset acquisitions, subvote (CS07) in the amount of \$151,007,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Non-appropriated expense adjustment in the amount \$790,000. Non-appropriated expense adjustments are non-cash adjustments presented for information purposes

only. No amount is to be voted.

Okay, Central Services, vote 13, 178,953,000. I'll now ask a member to move the following resolution:

Resolved that there be granted to Her Majesty for the 12 months ending March 31st, 2016, the following sums for Central Services in the amount of 178,953,000.

Ms. Draude: — I so move.

The Chair: — Ms. Draude. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried.

**General Revenue Fund
Finance
Vote 18**

The Chair: — Okay. Finance, central management and services, subvote (FI01) in the amount of \$6,460,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Treasury and debt management, subvote (FI04) in the amount of 2,126,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Provincial Comptroller, subvote (FI03) in the amount of 11,464,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Budget analysis, subvote (FI06) in the amount of 5,420,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Revenue, subvote (FI05) in the amount of 28,757,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Personnel policy secretariat, subvote (FI10) in the amount of 503,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Research and development tax credit, subvote (FI12) in the amount of zero. This is for informational purposes only. There's no vote needed.

Miscellaneous payments, subvote (FI08) in the amount of 55,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Pensions and benefits, subvote (FI09) in the amount of 157,597,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Non-appropriated expense adjustment in the amount of 608,000. Non-appropriated expense adjustments are non-cash adjustments presented for information purposes only. No amount is to be voted.

Finance, vote 18, 212,382,000. I will now ask a member to move the following resolution:

Resolved that there be granted to Her Majesty for the 12 months ending March 31st, 2016, the following sums for Finance in the amount of \$212,382,000.

Ms. Draude. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried.

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

The Chair: — Vote 33, Public Service Commission, central management and services, subvote (PS01) in the amount of 5,502,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Employee service centre, subvote (PS06) in the amount of 11,373,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Just hang on for a second here. Okay, let's go back to this and try this all over again. Public Service Commission, vote 33, central management and services (PS01) is 5,950,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Employee service centre, (PS06), 10,838,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Human resource client service and support, (PS03), \$14,045,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Employee relations, policy and planning, (PS04), 3,605,000, is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Non-appropriated expense adjustment to the amount of 1,500,000. Non-appropriated expense adjustments are non-cash adjustments presented for information purposes only. No amount is to be voted.

I'll now ask a member to move the following resolution:

Resolved that there be granted to Her Majesty for the 12 months ending March 31st, 2016, the following sums for the Public Service Commission in the amount of 34,438,000.

Mr. Weekes: — I so move.

The Chair: — That's moved by Mr. Weekes. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Agreed.

**General Revenue Fund
Finance — Debt Servicing
Vote 12**

The Chair: — Okay. Vote 12, Finance, debt servicing, statutory. Debt servicing, subvote (FD01) in the amount of 263,700,000. There is no vote as this is statutory.

Crown corporation debt servicing, subvote (FD02) in the amount of 21,300,000. There is no vote as this is statutory.

On Finance, debt servicing, vote 12 is 285,000,000. There is no vote as this is statutory.

**General Revenue Fund
Growth and Financial Security Fund
Vote 82**

The Chair: — Vote 82, Growth and Financial Security Fund, statutory. Growth and financial security transfer, subvote (GF01) in the amount of zero. There is no vote as this is statutory.

**General Revenue Fund
Lending and Investing Activities
Municipal Financing Corporation of Saskatchewan
Vote 151**

The Chair: — Vote 151, Municipal Financing Corporation of Saskatchewan, this is statutory. Loans, subvote (MF01) in the amount of \$25,000,000. There is no vote as this is statutory.

**General Revenue Fund
Lending and Investing Activities
Saskatchewan Power Corporation
Vote 152**

The Chair: — Vote no. 152, Saskatchewan Power Corporation, again statutory. Loans, subvote (PW01) in the amount of \$659,600,000. There is no vote as this is statutory.

**General Revenue Fund
Lending and Investing Activities
Saskatchewan Telecommunications Holding Corporation
Vote 153**

The Chair: — Vote no. 153, Saskatchewan Telecommunications Holding Corporation, statutory. Loans, subvote (ST01) in the amount of \$82,800,000. There is no vote as this is statutory.

**General Revenue Fund
Lending and Investing Activities
Saskatchewan Water Corporation
Vote 140**

The Chair: — Vote 140, Saskatchewan Water Corporation, it's also statutory. Loans, subvote (SW01) in the amount of \$15,000,000. There is no vote as this is statutory.

**General Revenue Fund
Lending and Investing Activities
SaskEnergy Incorporated
Vote 150**

The Chair: — Vote 150, SaskEnergy Incorporated, statutory. Loans, subvote (SE01) in the amount of \$151,000,000. There is no vote as this is statutory.

**General Revenue Fund
Change in Advances to Revolving Funds
Vote 195**

The Chair: — Vote 195, change in advances to revolving funds, statutory. Change in advances to revolving funds, vote 195 in the amount of zero. This is for informational purposes. There is no vote as this is statutory.

**General Revenue Fund
Debt Redemption, Sinking Fund and Interest Payments
Debt Redemption
Vote 175**

The Chair: — Vote 175, debt redemption, statutory. Debt redemption, vote 175 in the amount of 508,847,000. There is no vote as this is statutory.

**General Revenue Fund
Debt Redemption, Sinking Fund and Interest Payments
Sinking Fund Payments — Government Share
Vote 176**

The Chair: — Vote 176, sinking fund payments — government share, statutory. Sinking fund payments — government share, vote 176 in the amount of 38,289,000. There is no vote as this is statutory.

**General Revenue Fund
Debt Redemption, Sinking Fund and Interest Payments
Interest on Gross Debt — Crown Enterprise Share
Vote 177**

The Chair: — Vote 177, interest on gross debt — Crown enterprise share, statutory. Interest on gross debt — Crown enterprise share, vote 177 in the amount of zero. This is for informational purposes. There is no vote as this is statutory.

Committee members, you have before you a draft of the seventh report of the Standing Committee on Crown and Central Agencies. We require a member to move the following motion:

That the seventh report of the Standing Committee on Crown and Central Agencies be adopted and presented to the Assembly.

Mr. Norris: — I so move.

The Chair: — Moved by Mr. Norris. Is that agreed?

Mr. Norris: — I think for the record I should probably read this in. And that is:

That the seventh report of the Standing Committee on Crown and Central Agencies be adopted and presented to the Assembly.

The Chair: — That was carried. There being no more business before the committee, I would ask for a motion of adjournment.

Mr. Brkich: — I so move.

The Chair: — Mr. Brkich moves. Good evening and thank you very much, committee members.

[The committee adjourned at 20:25.]