

Saskatchewan Opportunities Corporation

The Vice-Chair: — Order. I'd like to welcome the committee to the Crown Corporations Committee first meeting of the year 1997, and I want to start by wishing not only committee members but all gathered the very, very best for 1997. I trust it will be a very good year for each of us as individuals and of course for the province of Saskatchewan.

We're here today with Minister Lingenfelter to review the 1994 and 1995 Saskatchewan Opportunities Corporation. It is our standard procedure to invite comment from the private auditor, followed by the Provincial Auditor, then open the floor for questions of the auditors. Then we will invite Minister Lingenfelter to give his opening comments and then open the floor for questions.

I'm pleased to introduce Jack Grossman for Deloitte & Touche to give the private auditor's report for both years, Mr. Grossman?

Mr. Grossman: — Yes.

The Vice-Chair: — Right. I'll invite you to make your comments now then.

Mr. Grossman: — Well thank you, Mr. Chairman. In both years we have issued an unqualified audit report. As a result of the review of the financial statements, with not only management but with the board of directors, the financial statements were approved prior to us issuing our report. And I can also report that we have also provided to the Provincial Auditor all the reports that he requested and so that we have complied with the formal terms of the legislation. And that's all I really have to say at this point of time, Mr. Chairman.

The Vice-Chair: — Thank you very much. The Provincial Auditor's perspective.

Mr. Atkinson: — Yes, thank you, Mr. Chair. Mr. Phil Creaser is the person in our office who is responsible for overviewing of SOCO (Saskatchewan Opportunities Corporation), so I'll ask him to make his comments, please.

Mr. Creaser: — Thank you. For the two years ended December 31, 1994 and 1995, we received a series of opinions from the auditors, Deloitte & Touche; one on internal control, the financial statements, as well as legislative compliance in other matters. For the two years we only had one matter of importance that was reported, and that was in 1994 we reported that the Saskatchewan Opportunities Corporation operated for approximately two to three months without a board of directors.

And we also reported . . . and then I think they started operations in August of 1994 and the board was appointed in October of '94. Subsequent to that, the board of directors did approve all the transactions of the corporation prior to the board being appointed, so we also reported that in our report.

Other than that, we would like to thank Deloitte & Touche for

their cooperation and we were very successful in getting the work done, I think, on a timely basis; and they helped us immensely in getting our work done. Thank you.

The Vice-Chair: — Thank you very much. Committee members, are there questions of the auditors? Seeing none, I welcome again Minister Lingenfelter and invite your opening comments.

Hon. Mr. Lingenfelter: — Maybe before I do that, Mr. Chairman, I just want to introduce some of the key people we have with us here today. Zach Douglas is president, he's seated to my right; Moyez Somani, who is the vice-president of investments, seated somewhere behind me —there he is; Duc Le, director of finance and admin — Duc, if you'll indicate; and Jan Carter, director of corporate affairs; and also Chris Dotson, who is my assistant from my office, is with us here today.

I'm not going to say very many words today because I think during the discussion the comments that we need to make probably better made in response to questions of various members of the committee. All I do want to say though is that Saskatchewan Opportunities Corporation, which is a new organization still — and I still call it that because it's only got a couple of years under its belt — has actually provided some interesting financing to various projects around the province; taken some interesting equity positions; and over that period of time, I think become a relatively important, although small, part of the economy of Saskatchewan.

I think the other thing that I'm most proud of with the staff, the small staff that we deal with, is the fact it's very, very open not only to businesses throughout the province but, I think in fairness, open to members of government and open to members of the opposition to come forward and discuss in a very open and frank way projects in the various communities around the province.

You'll also know that it's considerably different than the previous organization that was established many years ago, SEDCO, which did a lot of financing in Main Street businesses, whether it was laundromats or restaurants, those kind of things. Saskatchewan Opportunities Corporation has really moved away from that. It's now an organization that helps communities or businesses finish off projects that wouldn't otherwise, in many ways, be able to get started. And deals with organizations that are non-competitive with other organizations that are in the community, and hopefully not competing directly with the private sector.

One of the best examples that I like to use in speeches . . . And I know members of the opposition have been involved with the spa at Moose Jaw where the community got together and raised a good deal of money; the lending institutions in the local community put money into it through the credit union, I believe, in Moose Jaw. And then at the end of the day still didn't have quite enough money and SOCO came forward and took a \$700,000 equity position.

And together this venture is one of the prizes of Saskatchewan,

and certainly the council in Moose Jaw has a very, very high regard not only for that project but the role that not only SOCO, but individuals in SOCO, played in the development. And there are a number of others that we can go through.

I just want to say to date, and now with the inclusion of Innovation Place in Saskatoon which is also a very positive and popular organization in that community, I think there are many other ventures that we should look at working our way through and other communities that can use this organization to help create jobs and stabilize economic development in their communities.

So, Mr. Chairman, those are the comments that I want to make. Again I look forward to the questions and we'll try to answer all the questions, but if we aren't able to get the exact detail, we will get for the members of the committee at the earliest opportunity any statistics or data that we aren't able to provide today.

The Vice-Chair: — Thank you very much, Minister Lingenfelter. Ms. Draude, I believe . . . (inaudible interjection) . . . Yes.

Ms. Draude: — Happy New Year to everyone. I just had a couple of questions; one of them was from the auditor's report. I was wondering if there was any transactions and approvals dispersed before the board was appointed?

Hon. Mr. Lingenfelter: — Just before I get Zach to comment on that, let me say that that period, as I recollect, was a period when the corporation was just established and we were working under the auspices of the board and the direction of CIC (Crown Investments Corporation of Saskatchewan). And while the auditor's report is correct in saying that there was no board, I think the impression may be inaccurate that there was no one sort of looking after the operation of SOCO in the early months before the board was appointed.

This came directly under the auspices of the board of CIC, and being a member of the board of CIC and other members of cabinet, there was certainly that scrutiny that was going on of how the corporation was being structured.

Zach, do you want to add to that?

Mr. Douglas: — Sure, Minister. Just to answer your question a little bit more specifically with respect to any loans approved or dispersed prior to the board being appointed. The answer is no, there were not.

Ms. Draude: — Okay. I just had one other question from your comment, Mr. Lingenfelter. Was it part of the original mandate to take equity positions with firms?

Hon. Mr. Lingenfelter: — There were three parts of the original mandate that we saw as being acceptable and written into the mandate. There was direct loans and where the community or the company could apply for a loan; secondly, there was equity, an equity position; and thirdly, was syndicating of loans with other lending institutions.

So when we're going through the process of establishing SOCO, these were the three different tiers that we saw that would be and should be acceptable for positioning of SOCO.

Ms. Draude: — Can you give me an idea of how many inquiries you've had now?

Mr. Douglas: — I can give you some idea of how many general inquiries we've had. It would be in the neighbourhood of about 1200 a year — 11, 1200 a year. In terms of specific applications that result from those general inquiries over the year in review, or the years in review, I think to the end of 1995 we had 88 and made 15. Does that sound right?

A Member: — Yes.

Mr. Douglas: — Yes, 88 exact applications, or formal applications, and 15 new investments.

Ms. Draude: — And how many of them were approved projects?

Mr. Douglas: — 15.

Ms. Draude: — 15 out of 88?

Mr. Douglas: — Out of 88, yes.

Ms. Draude: — And what is your staffing numbers? Have they varied? Are they changed since you originally were established?

Mr. Douglas: — We've gradually ramped up to our present staff complement, which is just slightly over 30. On the investment and the general organization side we have 20, and on the Innovation Place or development side of the operation — there's essentially the two divisions now — we have 13, I think it is.

Ms. Draude: — And how many was it originally?

Mr. Douglas: — Originally planned?

Ms. Draude: — No, when you started in 1994, November '94.

Mr. Douglas: — Well we were adding as we went right through the last part of 1994, and we are now at or very close to our planned staff complement of 20.

Ms. Draude: — Just about where you expect to be.

Mr. Douglas: — Yes.

Ms. Draude: — The money that's given to SOCO each year from Economic Development — I guess the figures are here, but that amount is increasing, isn't it?

Mr. Douglas: — It was planned to increase in '94 and '95 and it's now more or less stabilized at about \$1.8 million for this year on the operating grant side of the equation. We've also added Innovation Place in 1995, and there's an operating

allocation that goes with that as well.

Ms. Draude: — How much is that?

Mr. Douglas: — In 1995 I believe — well we have to talk here in government fiscal years — but in '95-96 it was \$551,000. Approximately half a million dollars.

Ms. Draude: — So then it's 2.3 then in total.

Mr. Douglas: — On the operating allocation side.

Ms. Draude: — And is there another avenue to receive funding that's basically taxpayers' dollars?

Mr. Douglas: — There is a loan loss provision that flows into the corporation. And that's a line item in the Department of Economic Development's budget as well. And that's to set up reserves for potential losses. And I hasten to add, to this point in time that there have been none but we have taken that allocation into our organization and set up a reserve for potential losses, just to be prudent about the kind of activity we're involved in.

Ms. Draude: — Last year it was around the 4 million, was it?

Mr. Douglas: — No, that would be total combined operating and the loan loss provision. We budget — if I can just elaborate a touch — we budget about \$8 million a year of new investment and the loan loss provision is at 25 per cent of that. But as I say, we have not had to use it. It's there for prudent provision for anything that might happen in the future.

Ms. Draude: — So is part of SOCO's long-range plan to be able to operate without the money coming in from administration, from the taxpayers?

Mr. Douglas: — That's a very good question. I think we would all very much like to get SOCO to the point where . . . and the minister may have some thoughts about this because this is a bit of a policy issue. But from an administrative and a management point of view, we'd all very much like to get to the point where SOCO breaks even and does not require any kind of allocation from the General Revenue Fund.

But when you look at the experience of other economic development agencies like SOCO across the country, I don't think any of them have ever actually achieved that status. If government chooses to have a role to play in the area of providing economic development financing, there generally is a cost that goes with it. We just try very hard to keep that cost down.

Ms. Draude: — So then it won't ever be a real, independent Crown corporation; then it's always going to . . . As far as you can see, it's going to be something that's subsidized by taxpayers?

Mr. Douglas: — There may be some level of subsidy required. As I say, we strive very hard to keep that to a minimum.

Hon. Mr. Lingenfelter: — I think what's different now though, if I might add, is that the money goes in a result of debate in the Assembly, which makes it, I think, in many ways much more legitimate than what was happening with SEDCO.

And I'm not here critical of anyone on SEDCO because obviously we administered it during the 1970s and the Devine government during the 1980s. But what always worried me about that system is that there wasn't the discussion that went on about the allocation of money.

In my mind this is a better system because at least the money goes in up front. You can have your say if you support it or if you don't support it, but at least there's a reasonable debate that goes on as to whether there should be subsidy going into economic development in the province. And therefore, I think at the end of the day, what might be even more important of whether there is subsidy or not, is the governance issue of the legislature at least having some discussion on the topic.

Mr. Douglas: — If I could perhaps just add a comment to that. One of the things that we have strived for, and I think the minister alluded to it in his introductory remarks, is a high degree of transparency and accountability as to how we're using taxpayer resources to support economic growth.

Hon. Mr. Lingenfelter: — Some have also argued that the fact that we haven't had to use any of the loan loss provision is one, because we're such a new company and obviously you hope that in the first two years you haven't already started to use loan loss provisions. Others say it's because we're being too fiscally conservative and not taking enough risk; that even a bank or credit union obviously takes risks enough that there are some losses.

And this is something that I would urge members of the committee to actually ponder and look at over time. If you have an organization that's being touted as an economic development tool, and every deal you're making is a safe one, and you don't have any losses, is this as difficult a decision as when you had SEDCO and many of them were losses. And are we erring as a government — and I include members of the opposition and government in this discussion — are we being too fiscally conservative in where we're allocating money. Because obviously in the longer run, it's the balance between being too open and too lenient, and too stringent and too tough.

And so at the board level at SOCO, and within the management structures, we've had many discussions about whether or not we should be opening up more and taking more risk, in fact, as opposed to less. So this is something the committee might want to spend a few moments on too.

Ms. Draude: — Can you tell me when you decide if a loan is going to be an equity position? I notice there was at least one case, a project that started out as a loan was changed to an equity position. How, when, does this happen? How do you decide?

Hon. Mr. Lingenfelter: — I think we have to be a little bit careful about being specific, of course, but I think that Zach

might want to use a broad example of how this might work. But I say again that some of the negotiations that go on, obviously we can't get into specifics, but I think in a broad way you can.

Mr. Douglas: — The timing as to when that decision is made is very variable. And it depends almost entirely on the specifics of a given project. We're very much project-oriented. We try and tailor our support to the needs of the project. Some projects come to us with their term-debt financing in place and all of their equity, but they need some contract financing to meet some of their production financing requirements, to support orders. We'll look at that. In other cases we'll encounter situations where all of the financing is in place but for a small piece of equity, and that's then what we will look at.

So I can't give you any sort of hard and fast rules as to the timing of when that occurs. It's just we deal with each situation. We balance the commercial criteria against the economic development benefits, always considering project liability first, and then make a decision about how we can best support it.

Ms. Draude: — So has there been a time when it was . . . Do you decide that rather than resort to a loan loss provision or a default that you'll go to an equity position?

Mr. Douglas: — We have in . . . There has been one case where we've done an equity investment, but it didn't involve conversion of a loan. The loan that was associated with the project was converted to a term loan and we in addition made an equity investment in that business. And that was based on the specifics of the project. But we didn't convert the term, or the loan, to equity.

Did I answer your question?

Ms. Draude: — So I know that you can't be specific, but I'm just wondering, this just happens in a rare case?

Mr. Douglas: — Yes, very definitely. It's not a common practice. We don't tend to back into equity. We make a decision about equity at the outset rather than when we have difficulties with an account.

Ms. Draude: — What kind of an agreement is made for dividends if you have an equity position?

Mr. Douglas: — We believe very strongly in sharing both the risk and the reward. So most of our equity is not what you'd call a sort of participating variety, participating loan variety, if I can use that phrase, but rather a full equity position where if the company does well, we share appropriately in the profits; and if they encounter problems, we share the risk as well. So we try very hard to make sure that we don't limit our upside, take on risk and limit our upside. We try and keep them balanced.

Ms. Draude: — I guess I probably could get the information if I would go back into '94-95 booklet. When you talk about \$2.3 million administration or overhead amount of money spent and 30 staff members, there must be considerable amount of money spent on something besides staffing.

Mr. Douglas: — I'm not sure; I think salaries would make up the substantial proportion of our budget, even at that. And I think the categories in the annual report will kind of show that if I'm not mistaken. But I'm not sure what you're . . .

Ms. Draude: — I'm not sure if I should go into this. I noticed in the orders in councils on December 18 that about three-quarters of a million dollars was given from Department of Municipal Government to Innovation Place as a capital grant for a bio-fermentation facility. Can you explain that to me?

Mr. Douglas: — Yes, that is actually a transfer under the Canada-Saskatchewan infrastructure program. The total cost of the Atrium project in Saskatoon, the expansion to the Atrium which includes this bio-fermentation facility, was I believe about \$11 million, and about \$2 million of that we were able to arrange through the Canada-Saskatchewan infrastructure program to buy it down to a level of about \$9 million. So the 750,000 would likely be an instalment on that.

Ms. Draude: — So is this Municipal Government money then?

Mr. Douglas: — It's cost-shared, federal-provincial money, if I'm not mistaken.

Hon. Mr. Lingenfelter: — I think the way it works, although I haven't been directly involved in infrastructure, but as the projects . . . for example, if we were doing a piece of road, let's say the Lewvan where the rail is being put under the track, the way it would work is someone would apply to the fund and it would . . . there's a mechanism of a joint federal-provincial committee that reviews the projects and then comes to a conclusion. And if they are approved, then the money would flow.

And it is my understanding that this is how the bio-fermentation centre in Saskatoon is being organized. And that the money, if you're talking about 750,000, my understanding would be that this is a joint amount of money that's simply being flowed through Municipal Government but would be part provincial taxpayers' money, if you want to call it that, and partly federal infrastructure money.

Ms. Draude: — So could they have decided to spend that money on roads instead in that facility?

Hon. Mr. Lingenfelter: — In the infrastructure program, I just don't know the criteria in the last one, but it would surprise me, if they had wanted to spend all of it on roads, if they couldn't have. Because I think roads were eligible.

Ms. Draude: — So did Municipal Government have a lot of input as to where this money went? Was it a Municipal Government decision or was it a group or a board of some sort that decided on that?

Hon. Mr. Lingenfelter: — I'm not sure quite how to deal with this, Mr. Chairman, because I'm not sure, like I just don't have the details of the infrastructure program here. But what I can do for the member at another level is get for you the way that program worked, which projects were involved, and how they

were arrived at.

All I do know in this case is that the bio-fermentation centre at Innovation Place was one of the projects that was eligible, went through all the criteria both within the federal government's purview and the provincial, and that the money is flowing through. And I'm not even sure if this is the last of the money, or the middle instalment, or the first instalment. But what I do know is the application was made, it met the criteria, and is one of the functions and one of the projects that is being completed under that program.

Another thing would be interesting to know is, when the new program which is recently announced comes forward, exactly what will be eligible as well.

Ms. Draude: — Then I probably am putting you on the spot by asking these questions. I'm just wondering if there wasn't . . . if there would have been an opportunity for Municipal Government, who is obviously going to be cut back \$20 million this year, if it would have been an opportunity for them to keep that money within their own system and be sent out to the rural people rather than giving it to Innovation Place.

Hon. Mr. Lingenfelter: — No, I don't mind you asking the questions at all. I feel only a little bit inadequate that I don't have the material I need or the notes that I would need to answer you properly. That's my only problem, but I would get the commitment to get you that information.

The Vice-Chair: — If I may interrupt for just a moment and remind the minister and his officials, when you're tabling information with a member it should be done through the committee, through the Clerk of the committee, and preferably with sufficient copies for all committee members. Thank you.

Ms. Draude: — I'm wondering about the move of Department of Highways to Innovation Place. When was the decision made and is the move completed?

Mr. Douglas: — To the best of my knowledge, and I could be wrong about this, that move has not been completed yet and there's still some discussions going on exactly as to where Highways will locate — whether on another part of the university campus or Innovation Place. But I don't have the details.

Ms. Draude: — You don't know. There is some of the departments from various areas across the province have already moved in there, right?

Mr. Douglas: — Actually the Department of Highways has a bit of a presence there already but they're looking to take more office space; but I don't think there has been anything finalized. I don't know exactly what their needs are.

Perhaps one of the officials can do a little work on that question while we move on to other topics. We can provide you some additional information once we have it. But as far as I know, it's not finalized.

Ms. Draude: — So I will be able to get the information on how much of the department is moving there and what they're paying for rent and so on?

Mr. Douglas: — There is a bit of an issue around publicizing our lease rates. We have some concern that it prejudices our position in the market-place for some of our clients to be aware of some of the lease rates. Perhaps we can do that on a confidential basis.

Hon. Mr. Lingenfelter: — I think the other thing we can say though is that they . . . with Highways, at least my understanding, is that it would be at commercial rates. But let me . . . We'll get that for you as well.

Ms. Draude: — Last year, I think it was Bill 8 actually gave an approval of \$100 million for capital expansion. Can you tell me how much of the hundred million has been spent?

Mr. Douglas: — I can tell you that at the end of 1995 the total value of the assets at Innovation Place, which in turn are supported by debt from the General Revenue Fund, was \$41 million and that the total value of our investment assets at the end of 1995 was approximately nine and a half million dollars.

And now just to offer a little bit of elaboration. The change in legislation last year was to provide for the fact that Innovation Place continues to grow, not to borrow that amount in that given year. It's an authorized ceiling on the borrowings of the corporation, beyond which they would have to go back to this legislature to get approval to borrow more.

And we have \$100 million for the investment functions — which we are nowhere near; we're just providing for future growth — and then \$100 million for the R&D (research and development) parks and development assets.

Ms. Draude: — So the Innovation Place was originally purchased through the funds that you could use for investment, and then it's taken out of the capital fund?

Mr. Douglas: — No, I don't think that's quite right. Innovation Place was transferred to SOCO from CIC at a value of \$39 million, and some debt was assumed at the same time under authorities in the legislation. And at that time, the total borrowing ability of the corporation for all purposes was \$100 million, and of course we were well within that. Actually we're still within it, but we project over time that we'll grow to beyond that.

Ms. Draude: — So you will spend . . . you spent some of it. You borrow it whenever you need it then, so the interest rate varies. So you have no idea then, like generally, what the interest is?

Mr. Douglas: — On our borrowings?

Ms. Draude: — Yes.

Mr. Douglas: — Yes, actually we do have that figure. The weighted average cost of our borrowings in 1994 was about

5.76 per cent and in 1995 was about 6.9 per cent. And that's short-term borrowings from the General Revenue Fund.

Ms. Draude: — From the General Revenue. That's where you borrow the money from, this General Revenue Fund?

Hon. Mr. Lingenfelter: — I was going to say, could we get a better deal somewhere else? Probably we could.

Ms. Draude: — I didn't know you borrowed from the General Revenue Fund.

Mr. Douglas: — All our borrowing is by statute for these kinds of . . . (inaudible) . . . have to be done through Finance.

Ms. Draude: — Okay.

Mr. Douglas: — Our only outside borrowing, just as a point of information, has been . . . that we can do, is part of syndicating investment deals. And we've done one of those, which is the Limagrain deal, which I think you're familiar with.

Ms. Draude: — I notice that there's been a number of loans to the motion picture industry. I'm just wondering if these are totally unrelated companies. I mean, unrelated shareholders.

Mr. Douglas: — We've done three I believe, and the only related would be we have the small equity position in Mind's Eye which is in the list . . . SOCO report, I think, which you all have. And as well in the *Lyddie* production which was a production of the subsidiary of Mind's Eye.

Ms. Draude: — So then there is three companies basically that have the same shareholders that have borrowed for different projects?

Mr. Douglas: — No, just the two, and then one is completely independent. And we have three that we've actually approved and dispersed on. Three independent companies, I stand corrected.

Ms. Draude: — So then there's four altogether?

Mr. Douglas: — Yes.

Ms. Draude: — Okay. So is it an opportunity or an option for other Saskatchewan firms or firms that invest in Saskatchewan to come with related shareholders in the same type of business to ask for money more than once?

Mr. Douglas: — That, I don't think, would be an issue for us provided the project was right and the structure of the deal was correct and it met our criteria and our guidelines, I guess, is a better way of putting it. Occasionally in the business world you run into situations where there is similar investors in two different companies and that will happen from time to time, I'm sure.

Ms. Draude: — So with the motion picture industry, I notice that there's a number of temporary jobs that are stated for the various films. Because these projects were approved at different

times, is it possible that there are the same people within a number that have been stated as a temporary job for one film and then they were given a job in another one, so these numbers could actually be somewhat skewed when it comes to number of employees?

Mr. Douglas: — I mean it's possible that the same individual could have been employed on two different projects quite clearly. That we recognize as a problem in terms of trying to count our impacts and we're now working on a number of sort of full-time equivalents which I think is a better way of counting those kinds of impacts for our corporation.

And I don't know, Jan, if we ended up with a set number? I think I'd better use . . . Now this unfortunately is at the end of October 1996, is that we have roughly 219 person-years of temporary employment related to some of those projects.

Ms. Draude: — So rather than counting them as temporary jobs when there could be . . . You said there was four different projects in the film industry, that some of these people could feasibly have worked in all four projects . . . rather than cameramen — I don't know anything about the film industry — they could possibly have worked for four different films and be counted four times then?

Mr. Douglas: — I would say that's extremely unlikely. It's possible, but extremely unlikely. I think the important thing to try and focus on is the fact that in that sector we find that our investment, relatively modest, supports a heck of a lot of activity; so that for our exposure the impacts in that sector have grown from about 4 million or \$5 million a year over the last few years, to 25 million last year, I think was the value of the production that took place in the province.

Hon. Mr. Lingenfelter: — I think the other issue here is that there's a growing demand for money in this sector and the question is again, is balance. You'll know that CBC (Canadian Broadcasting Corporation) carried a story this morning about our lack of involvement in the Avro production which then went to Manitoba.

And here again had we done that, that would have made three projects where you had involvement from the same company. And so you can see the kinds of decisions that the board is called on to make on a very regular basis are exactly the ones that you are raising here; is how much equity, first of all, how much of your bundle you want to put into the movie industry versus tourism or other areas and you try to keep some sort of a balance.

Quite honestly we could put all of our budget into the movie sector just going by the demand that there is, so we try to do the best that we can to balance out the growth areas in the province and urban and rural and all this, and it gets to be quite a stretch for the board and for the members of the executive to try to keep that in place.

But on the number of jobs, I think a better number to use is one that Zach talks about, somewhere around 200 equivalents that we think we've had involvement in. And when you talk about

the number that Mr. Geotz and Kevin Dewalt talk about in movie industry in Saskatchewan now, they use the number 600 full-time equivalents. I think what is a better number to use is the fact that about one-third of those equivalent jobs probably wouldn't be there in this industry if it weren't for the involvement of Saskatchewan Opportunities Corporation.

Now at the end of the day we hope that every one of these investments are repaid and that we make a little bit of money on them, but someday, somewhere, obviously there will be a time when something doesn't quite work and hopefully that doesn't happen, but in the scheme of things when you're lending money and taking equity position, all of us have enough experience, I'm sure — even the member from Souris-Cannington — to realize that even on our farms every once in a while, we make a decision where we actually lose a little bit of money.

But so far it's been working well, and I think this committee as well, who have been consulted during the period of setting up SOCO, can take some responsibility on the side of some jobs being created by the investment that the board has made here.

Ms. Draude: — I'm just wondering . . . I know that like you said that there's a large opportunity for so many different industries for you to invest money and the decision must be tough on which ones to invest in. I like to think of the manufacturing business as sort of the enabling technology, and I'm just wondering if you can tell me just roughly a breakdown of where your money is going — like does the film industry, the biotechnology, the manufacturing . . . is there any percentage you're trying to maintain?

Mr. Douglas: — There's no hard and fast percentages between sector or type of activity. Again we're very project-oriented to try and . . . rather than create sort of artificial boxes which projects or business ventures have to fit themselves into, we try and look at the quality of the project.

But we have been able to, I guess the best way of putting it is, spread our investments around amongst the sectors with some presence in almost all of the six that are targeted in the *Partnership for Growth* economic development strategy. The preponderance actually has been on manufacturing. And I have a rough break-out here in activity in 1996: and we have two in ag and food processing; twelve in manufacturing; one in environmental recycling; two in biotechnology; seven in tourism and cultural activities; and one in mining. And I think since that time we have a commitment in a forestry business but have not yet disbursed on it, or if we may have disbursed since the date of that activity.

Ms. Draude: — It wouldn't be fair to ask if the money that was given out is in the same percentage — or I should say — is it fair to ask?

Mr. Douglas: — Certainly fair to ask. You could go to your SOCO report for November and get some sense of that but we don't have it broken down on that basis. We could certainly arrange that.

I guess one of the things that would tend to skew the numbers a little bit is the fact that we have that one large investment which is the Limagrain one in the ag-biotech sector.

But apart from that they're all, I think, of roughly the same order of magnitude. We tend to have a kind of a target, investment level, of small to medium size and we would define medium size from our point of view as no more than a million dollars. We have, by legislation, the ability to go larger than that but as a matter of policy we try and use our scarce capital and keep the amount in each investment down to a minimum.

The Vice-Chair: — Are you finished, Ms. Draude? Thank you.

Mr. D'Autremont: — Thank you, Mr. Chairman. I'd like to welcome the minister and his officials here today and also to wish them a happy new year and hopefully farming will be successful this year.

I wonder if we could maybe go back right to the beginning for SOCO, and if you could outline what the mandate is. Now you talked about finishing projects that would be non-competitive with the private sector. I wonder if you can maybe give us a little broader view of the mandate and how it fits in with the concept of commercial lending by banks and credit unions and where you fit into the picture, and that type of a mandate structure, and how you build the risk into your mandate.

Hon. Mr. Lingenfelter: — Maybe starting from the reverse, the way we . . . and we say the risk; how we protect ourselves of course is the reserve fund that we're building up. And in consultation with the auditor, I think it's realized that this is necessary and should and is being done.

In terms of the mandate, I think just going back one step further as to what there was in place when we came into government, obviously the 1980s in Canada were a period when governments, in the name of job creation, spent hundreds of millions, in fact billions of dollars in job creation. And that wasn't only happening in Saskatchewan; it was happening everywhere.

And there was a lot of taxpayers' money being used to compete one province against another, one city against another, to try to get companies to move or to come from one part of Canada to another.

And after a lot of research and a lot of soul-searching, I think governments in general, and taxpayers, probably more importantly, came to the conclusion that it wasn't wise to spend a whole lot of tax dollars in order to lure one Canadian to come from one part of Canada to work in another because it all comes out of the same pocket, basically the taxpayer's. And some companies were benefiting handsomely from the taxpayer's investment.

If you look at where CIC had put a lot of money, I think there were serious questions about the number of dollars spent per job. And so a lot of that money was shrunk. And if you look at the amount of money that now goes into, from provincial government or from federal government, for direct investment

in job creation, it has been cut, and cut substantially.

That isn't the only reason of course. As governments hit the end of the rope as it related to how much money they could borrow, they simply ran out of dollars as well that they could put in so-called job creation. And we all had to make some tough decisions on cutting back on the number of dollars that went into job creation, either through CIC or SEDCO or the Department of Economic Development.

And if you look at these lines in our budget today as compared to where they were in the mid-'80s, it has shrunk very, very considerably, the amount of dollars that a Minister of Economic Development or the minister in charge of CIC has to go out and use taxpayers' money to create jobs. And I think in many ways that is a change that Canadian taxpayers think was a good idea.

Having said that, there still seemed to be a role in a non-competitive way for the government or the agencies of government to be involved in job creation. And that's where we set up the mandate after a lot of consultation with the business community as to where government still had a role to play on Main Street in creating jobs. And it was to remove itself, business told us, from the Main Street competitive businesses, whether it was a pizza place or a laundromat, car wash, these kind of things, where there already were existing businesses . . . or a motel.

In the old days under SEDCO you could come in and you could borrow money and set up a motel which competed with the hotel or motel down the street. And then the government would say, well we've created 40 jobs at this motel or hotel, not taking into consideration that further down the street there was a for sale sign up on that hotel where 40 or 50 jobs were being lost. And the same was true of many, many other retailers.

And if you go through the litany of SEDCO loans in Saskatchewan and the number of jobs that they put in their annual report, business people were bringing to us a list of jobs that were being lost that were almost equivalent to the new jobs that were being created by those loans or positions being taken.

So we came to the conclusion as I say, after a lot of consultation, that we would remove ourselves from those competitive Main Street businesses and try to find those that the banks wouldn't complete or that businesses and communities couldn't complete and wouldn't otherwise be done without some involvement from a government agency.

And that is basically where SOCO tries to fit itself. And I know there was a fair bit of discussion as to whether this agency was even needed or not. And when we were asked early on how many hundreds of projects we would be able to do in a year, our comment I think at the time in this committee was that if we did about 20 a year we would think that that was probably a reasonable number.

I think in our first full year of operation we did 15. Probably in 1996 that number is going to be somewhere around 20. And likely somewhere around between 20 and 30 would be a number that we would foresee at this time, of projects that

wouldn't otherwise be done that would be completed with the help of Sask Opportunities Corporation.

So that's the mandate in a very broad way, and if the member has questions on that, I'd try to respond.

Mr. D'Autremont: — Are you directing your services towards a particular sector? We've talked earlier about the movie industry, but are you getting involved at all in any retail ventures? Perhaps there's a new retail venture not being dealt with in Saskatchewan, and I don't know, I don't have any examples at all, but just something new for Saskatchewan. Would SOCO get involved in that or would you simply say no, this is an area where commercial interests should . . . private enterprise should be taking place, one of the banks or credit unions should be lending in that area? Are you prepared to take a look at retail, or are you looking more at the manufacturing end of development in Saskatchewan?

Hon. Mr. Lingenfelter: — Okay, look at where we've done our loans. There in agri-food processing, these would be processing that would be new or different than something that exists. Or in the example of the spa in Moose Jaw, there was a spa in another part of the province at Manitou Beach, but there was a lot of discussion and debate that went on between the two at the time in order to have some sort of a consensus or agreement.

Tourism is another area that is fast growth in the terms of jobs and we have a number of examples where we're involved there.

On the retail level, I'd have to see the specifics of what it would be that you're referring to. But in a general way, retail is not an area that we've done a lot of work with.

Mr. D'Autremont: — Well no, I didn't have any specific examples of retail. It's just that I know that in contacting SOCO at various times for various constituents, the answer has always been no, we're not interested in retail.

Is there a minimum amount of money that you're talking about when you are looking at an investment, either a loan or an equity position?

Hon. Mr. Lingenfelter: — Just let me go back to the retail because I don't want to leave that as being black and white that we would never do it. Let's say in your constituency you had a community where there was no . . . let's say no hardware store. And there was no hardware store for 50 miles in any direction. And some person came along and said I want to open one and there was a general consensus in that regional economic development authority that this might be a good idea and you could get the business people in that area to sign on that this might be a good project. I think Sask Opportunities Corporation would look at it. Then it would have to meet another group of criteria.

But I wouldn't rule out totally that retail is just automatically out. If it was good for economic development in that area and was non-competitive, it could be that the board might want to have a look at it.

Mr. D'Autremont: — Can we apply for a grant for fixing highways?

Hon. Mr. Lingenfelter: — As soon as we pay off that debt, we'll have lots of . . .

Mr. D'Autremont: — Risk management is . . . you've talked about the loss exposures or funds put aside for that. Is your potential for loss exposure calculated into the interest that a loan would generate? If you go into a commercial bank that is part of your interest structure — the riskier the venture the higher interest rate you pay. Is that the case with SOCO?

Mr. Douglas: — It most definitely is. We look at the risk involved in a particular project and the security available and all the other factors and calculate a rate that we think is acceptable to cover that.

Mr. D'Autremont: — Okay, what kind of due diligence do you do then in determining the risk factors?

Mr. Douglas: — We take quite an extensive review of the business plan. We check the credentials of the project proponents. We check the market-place. We spend a lot of time determining first of all that the project has a very high probability of being viable in the long run. That's the first threshold before we'll move onto the next one, which is what the investment is likely to do and the return that we're likely to get on it.

So we spend a lot of time on the due diligence around the quality of the management, the financial structure of the business, the markets, the things that you would expect a private sector lender to examine when they make investments as well. And we always do that before we consider the economic development benefits.

Mr. D'Autremont: — When you're looking at a project, do you take into account whether or not they have contracts in place — thinking of processing, manufacturing — that they have sales contracts already lined up or perhaps even signed? That's all part of the due diligence?

Mr. Douglas: — It most definitely is.

Can I just go back to an earlier question too on the size of projects that we'll be involved in. We have no minimum. As I mentioned earlier, by the amount of capital we have available to us and our desire to be prudent, we tend not to go too large. I think our smallest one is \$10,000 and our largest one is \$2 million, which is the Limagrain investment after syndication.

Ms. Draude: — 2 or 6?

Mr. Douglas: — It's 2 million after syndication because we syndicated \$4 million of that to the Bank of Nova Scotia.

Mr. D'Autremont: — When you are assessing the risk in determining whether or not to approve a loan or an equity position, where would the cut-offs be? What risk level would you estimate that it's a project you wouldn't want to go into?

The minister mentioned, I believe, the Avro Arrow movie where you would have had three agreements with one firm. In that case was it a situation where the fact that you already had a couple of agreements and therefore felt that you were loading one side too heavily, or was the risk factors too great? What is the cut-off level?

Mr. Douglas: — Again I wish I could be more specific. First of all, I can't speak about the details of that particular investment. But I can say that our threshold, in a very general sense, is not necessarily our exposure on other projects of that same business but rather the quality of the project itself. And we need to see a very high probability of a return of our investment and a reasonable probability of return on investment. And unless we cross that threshold, we just think it's not appropriate for our organization with our mandate to be participating in that project.

Mr. D'Autremont: — When you're reviewing a loan or an equity position, where does it go within your management structure, each individual application? Do certain managers have lending limits? And what are those limits and how far till it reaches yourself?

Mr. Douglas: — Maybe it's easier to start from a board-approved authority level and work our way down. The board has the authority to approve investments that are loans or guarantees up to \$2 million, beyond which it would have to go to cabinet. On the equity side of the equation, they have authority to approve up to a million dollars of equity investment before it would have to go on to cabinet.

The president has the authority for a half a million dollars of investment in the form of loan or guarantee, and \$250,000 worth of equity if I'm not mistaken. And there's further delegations down through Moyez, who is our vice-president of investments, and to the individual investment managers. On the equity side, I think all equity deals require the approval of the president.

Mr. D'Autremont: — On your loans managers, what would their levels be at?

Mr. Douglas: — Moyez, how have you delegated that down to the investment managers?

Mr. Somani: — I think it's 50,000 and under.

Mr. D'Autremont: — Okay. So a maximum of 50,000 for one of these — for personnel.

Mr. Somani: — Just that low equity.

Mr. D'Autremont: — Okay. You say that you are building a loss exposure of approximately 25 per cent of your portfolios. What was the record with SEDCO? Twenty-five per cent seems . . . I know I've sat on the credit union board and if somebody had said you need a loss exposure of 25 per cent, we'd have said we don't want that loan.

Mr. Douglas: — You're really testing my memory here.

Maybe the minister's is better than mine. But the twist here is that this is a 25 per cent provision, one time upfront, whereas with a credit union or perhaps with a SEDCO, the way it was tended to be viewed is losses per year on your portfolio. So typically a bank might have — and I hope there's no bankers here to test me — but I think about a percentage point and a half. Maybe you would know from serving on the credit committee.

We think that over time, for an investment agency like this, that maybe 5 or 6 per cent of the portfolio annually is justifiable because of the economic development benefits that flow from that investing.

Now the average life of an investment might be five years, and we have 25 per cent, so that roughly equates to 5 or 6 per cent per year on an individual investment.

Mr. D'Autremont: — Once the corporation though gets some age and some time behind it though, you . . . I would hope that you're not looking at an annual loss exposure of 25 per cent.

Mr. Douglas: — Oh no, it's not annual.

Hon. Mr. Lingenfelter: — It's a little bit misleading just on two points. First, on SEDCO it wasn't enough, that's all. I don't want to talk about that any more.

But secondly, the better way to look at this 25 per cent loan loss exposure, and I think the way it does make a lot of sense, is if you look at the element that June mentioned earlier, or the . . . When we're talking about the amount that we have as a cap — let's just take in our minds that if it's 100 million for Innovation Place and 100 million for loans and equity — and take 25 per cent of that 100 million or 25 million, you can almost see that being the cap that it would ever get to.

And no matter how any times this money is loaned out and paid back and loaned out and paid back, you really only have a 25 per cent loan loss provision. Otherwise at some point very quickly it would all end up in the loan loss provision. You wouldn't have any money to do work with. So it won't be each time. As the money is paid back, the loan loss provision really only applies once to that same fund.

Mr. D'Autremont: — Using your scenario, Mr. Minister, though, you could reach a position where all of your net returns from your loans are going out in loss exposure. It wouldn't change your total 25 per cent but you could be, on an annual basis — let's say that your loan portfolio was generating, on \$100 million, a \$5 million return — on an annual basis you could be losing that \$5 million also, so that your equity position is not growing; it remains at the 100 million. Whereas if your loss exposure wasn't that high, you could be growing maybe by 2 or 3 million a year. But you could be in the position where you could be losing the entire net amount of your income.

Hon. Mr. Lingenfelter: — Well this is something obviously that — as you indicate with a credit union; as we have with Credit Union Central — I mean we monitor that very carefully as a board to make sure that everything is in balance. And

obviously the loan loss provision, as we get into this, will have to be monitored very carefully.

I think the 25 per cent was set with two conditions in mind. One, the heck of a mess that there was in SEDCO, and therefore I think everybody setting up the new fund said, well we're not going to get into that again. And you might argue that the 25 per cent was exorbitant, but on the other hand it's not going to hurt anyone. That money isn't going to disappear off the road map or it isn't going to be wasted.

And if it is too high, someone someday who is sitting around this table will say, well look, the amount of money you've put in there is too much; you don't need it and the record of the corporation would indicate that it's too high. Or they might say that you want to change structures here.

But I would really much rather have been cautious on this side and making sure that the taxpayers are protected and that you do have a fund built up than just sort of going out and doing it and at the end of the day saying, well we now have to go back to the taxpayers because we didn't put any money away for that provision.

Mr. D'Autremont: — Well I guess the taxpayers are putting their money up front, whereas perhaps it could be utilized in other areas and paid out at a later date out of the Consolidated Fund rather than being paid out today out of the Consolidated Fund.

Mr. Douglas: — It would be very difficult for that to happen in that the way we've structured our balance sheet and our financial statements, that money shows up as a reserve for future, potential investment losses. And if the reserve started to drop, then that would be very apparent to anybody reviewing our statements; that there was actual losses occurring or that something had happened. It's just not really possible for us to do that.

Mr. D'Autremont: — Well when I look at reserves set aside in other organizations, such as school divisions as an example, you'll see a school division with a substantial reserve in place. And yet when you ask them what is this reserve, where is it at, there is no money there. But this is taxes due that will never, ever be paid, but yet they sit on their books as their reserve. If they had to pay an extra thousand dollars next month, they don't have any money. There is no reserve other than a paper reserve.

And I would certainly hope that would not get to be the situation here, that if you have this \$400,000 per year approximately that you're putting in for your loss exposure, that that money is actually some place; that it hasn't disappeared. It's just not simply a paper reserve.

Mr. Douglas: — No.

Mr. D'Autremont: — I guess one of the questions, and the minister brought it up, is, you know, should SOCO be more lenient in its lending? Should it be more stringent? I guess the question really is, what is the role of government in providing a

lending service?

Is it there to compete against commercial enterprise, against the banks and the credit unions? Is it there for use as a lending service in those areas where capital is not available because of the risk factors? And I think that's part of what SEDCO initially started out as at, was to be there for those areas where people could not access funds. And sometimes those opportunities, looking back on them today, you would wonder why were people not able to access commercial enterprises.

I look back at farm land in the 1950s. Farmers could not go to the bank in the 1950s to borrow money because of government regulations and changes that were made during the 1930s which wrote off land loans to the banks. Banks simply would not lend again for many years — for about four years. But if you wanted to go and buy cattle, the bank would lend you all sorts of money.

And so there are some times when government should be in lending because commercial enterprises are not, and other times when they shouldn't be. And I think that is a real question for us. Personally, I don't like government being in the business of business. I think it distorts the environment. Government should be in the business of providing an economic environment for business to thrive, not in competing with business.

So I think it's very important that SOCO not be in that sector; that it be there to provide an opportunity for risk for areas where you can't get lending in other areas. And perhaps some of the biotechnologies are, being an unproven technology, is an area where government could provide some risk capital.

And that's what basically SOCO . . . I think an avenue for it to play is in providing that kind of risk rather than in providing simply some money for the local hardware store. The local hardware store, if they have a viable proposition, should be able to go to the bank and get money or your local credit union or your neighbour down the road or whatever the case may be.

But if you want to put up a wind-generation manufacturing plant, there's a risk that . . . because SaskPower may not buy your wind-generation capacity, and so there's an area for SOCO to perhaps take a look at. But in general I think it should be the business of government to stay out of business and create the environment for them to thrive. So that's my comments on whether or not SOCO should be more open or less so.

Hon. Mr. Lingenfelter: — Let me comment on your observations of the role of government in lending. And it really is very inconsistent as to whether governments in general across Canada today believe they should be involved or shouldn't be involved, and there's some surprising elements. I suppose the fact that the image of NDP (New Democratic Party) government to sort of spend, spend, spend, and in fact I think there would be those who would argue that this NDP government in many cases on economic development maybe should be more involved.

But on the other hand if you look at where our money is going,

I think it probably conforms more with your line of thinking. That may be dangerous because we may want to review all this, Zach. But seriously, manufacturing and many of those areas, the non-traditional kind of manufacturing, is 30 per cent of the loans that we've given out. Biotech is 25 per cent. There again, more difficult for them to get traditional kind of money. And the fastest growth industry in the world — tourism — makes up 22 per cent.

So you find that those three major areas — manufacturing, biotech, and tourism — make up about 77 per cent of the monies that have come out of the corporation.

On the other hand, if you look at where there's a lot of activity as it would come to lending, it's coming from two government agencies — FCC (Farm Credit Corporation), and any of you who have been involved in farming know that FCC has a very, very aggressive lending policy now, to the point where some of the lending institutions feel irritated by the fact that they're out there trying to compete to inject money into land purchases or land development

I'm not complaining about it because obviously in Saskatchewan I think it's good. Some would argue it's driving the price of land up too quickly. But FCC has taken a very different approach. That's the other reason that the Saskatchewan government feels on the agricultural side — because the Farm Credit Corporation has expanded its mandate and is very aggressive in getting money out into the communities — we feel that we can back away a little bit.

The same is true of business loans. If you look at where the Federal Development Bank is aggressively out there doing the very thing that SEDCO did during the 1980s, if you drive down Main Street in many towns, the retail store that's being refurbished or sold, money has come from the Federal Development Bank.

If you drive down Albert Street you'll find — at least there was a sign up — on the new Robin's Donuts at the corner of Sask Drive and Albert Street, that the Federal Development Bank had put money into that fast food outlet.

There would be many people in our province today who would say, is that the role of the federal taxpayer, to sponsor yet another fast food outlet on Albert Street? Did we not have enough? Or couldn't these people get their money? But these are debates that go on indefinitely.

But one of the reasons that we feel, as well, that we don't have to be in the retail end, even if you believe there was some margin that you could be doing, is the fact that the federal government today is being very aggressive in competing both in the farm area and in the small-business area. So that at least opens up the fact that we don't have to make a tough decision there because the federal government is very, very much involved.

I say again, for the public it's a little bit confusing as to who is in which position on the spectrum. But at the present time, we've taken the approach that when it comes to business loans,

that we are not wanting to be there in competition with the private sector.

Mr. D'Autremont: — And we happen to agree with that. Although one area where SEDCO was involved, and you may want to have a look at this, was the young entrepreneurs program. And I think that particular area had some benefit. Oftentimes young people don't have the ability to go to a financial institution without backing from a parent or someone else in starting up a new small business. And I think in that one particular area, there may be some value in having something available.

Hon. Mr. Lingenfelter: — Well that's something I'm going to ask my officials to look closely at because I think there may be something there. However, what may be easier to do is to expand the small-business loans program, which we did keep, and it has worked relatively effectively.

But it might be that a young entrepreneurial program is something that Saskatchewan Opportunities could work with you on to see whether or not there is a piece that we could put together.

Mr. D'Autremont: — A small loan type of scenario that would be available then to everyone, and I think people once they're somewhat later on in life such as myself . . .

Hon. Mr. Lingenfelter: — We'd have to extend it to about 50, eh?

Mr. D'Autremont: — You should have built up some experience and credibility and some assets hopefully that you could tap into for a loan; whereas a young entrepreneur, someone less than 30, won't necessarily have had that opportunity yet. And I think in that area there may be some value.

Hon. Mr. Lingenfelter: — The other thing about entrepreneurial skills programs, not only financial but training-wise, I know the Department of Education and Economic Development are working on a program of entrepreneurial skills teaching in K to 12 at the present time.

And this will be a program helped out by the teaching community, but more importantly using mentors from Main Street to come into the classroom to teach entrepreneurial skills. And not only the upside of entrepreneurial skills, but also getting people in who have gone through the whole gamut of making money, going broke; so that this whole area of entrepreneurial skills at a very practical level is injected into the school system at a very early age.

And I think the other thing that the teachers are readily in agreement with is they may not be the best people to teach entrepreneurial skills because many people who go into the teaching profession do it — not all of them — but many of them go in because of the security of a lifestyle and pensions. That's not to say that my good friend from Lloydminster isn't an entrepreneur as well. But I think using the skills from Main Street in the school system is something that both Economic

Development and Education are looking at seriously of bringing into the teaching programs.

Mr. D'Autremont: — This sounds like a very radical idea, for a socialist government to be teaching capitalism.

Hon. Mr. Lingenfelter: — Well I think that the only thing that would dissuade me from agreeing with you on that is if you look at the balance sheet of various CCF (Co-operative Commonwealth Federation) and NDP governments in this province, you'd find that they have a lot of experience in being good entrepreneurs.

Mr. D'Autremont: — Thank you, Mr. Minister. I wonder if we could go back to the initial set up of SOCO and if you could explain why there wasn't a board of directors appointed when SOCO was established? Obviously at other times your government has used the cabinet members as members of a board of governors, of a board of directors. You, I believe, in '95 had three cabinet ministers on the board. Why at that point in time could not have the three cabinet ministers been appointed so that you would have had a board in place to do the proper approvals?

Mr. Douglas: — If I might, Mr. Minister, just make some observations about that. I think the primary reason for the way it unfolded the way it did was simply the logistics of getting an Act proclaimed and the need to get started on the task.

There was a working group of individuals from the private sector to oversee our work. And they were very much responsible for making sure that SOCO unfolded the way it was supposed to in the legislation and in the business plan. And that working group in fact became the board, and I think we have a list here somewhere — I think it's been circulated to you — of the initial board of SOCO. And you can see that it represented the various professions and stakeholders in economic development in the province, and they made sure that we were building the corporation according to the plan and the legislation. And as we were able to, the legislation was proclaimed and we proceeded on our way.

Mr. D'Autremont: — But yet for the first three months you didn't have a board of directors in place. Would it not have been simply a matter of the legislation allowing for that board to be appointed at the time of inception of SOCO? I think it was an oversight by the government not to have done that. You could have put the same three or four cabinet ministers into that position at that particular point in time and then complied with legislative requirements. I'm just wondering why that wasn't done.

Hon. Mr. Lingenfelter: — As I mentioned earlier . . . I mean I'm not disagreeing with you and I guess in hindsight we might have done it that way and been more effective.

I think the reason that we opted to go this route was because the assets of SEDCO were being transferred to CIC as we . . . In the process of winding it down, CIC board had a very good understanding of what the old SEDCO was involved with, because they had a very much hands-on looking at SEDCO as

we wound it down. We were reporting to them on a constant, ongoing basis.

And they were also well aware of the new organization, Saskatchewan Opportunities Corporation, that was being established and they were spending a lot of time debating the process. And so using them in that sense, to be the hands-on board for those few short weeks, I guess at the time seemed to be a proper way of doing it as opposed to establishing a new board for a few weeks and then doing another round of appointments.

In retrospect you may be absolutely right that we could have done and should have done it the other way, but I think this was the rationale for going this route, is that the CIC board had very much a very direct involvement both with the discussion around the wind-up of SEDCO and also the establishment of SOCO.

Basically the same members of the cabinet who you would have appointed to the interim board at any rate, and so it just seemed at the time — although you might be right that it would have been better in terms of the look and the optics and maybe even in terms of the operation . . . but it was basically the same cabinet ministers sitting on CIC reviewing the documents and reviewing the set-up, so we felt that that was a legitimate way to go. But I'm not trying to dissuade you from your belief.

Mr. D'Autremont: — Well it just seems that it was sloppy and could have been done better. Perhaps it's a lesson for you for the future to take that into account and do it the . . . meet the requirements of the legislation.

I would like to go over to Innovation Place. How many clients do you have there at Innovation Place?

Mr. Douglas: — Approximately 100.

Mr. D'Autremont: — How many of those clients would be other branches of the provincial government or Crown corporations somehow connected to the provincial government?

Hon. Mr. Lingenfelter: — I've got to get that for you. In fact, Jan, if you could go make a call right now or if you have your cell, just find out . . . Okay.

Mr. Douglas: — Actually, if I could just make an observation though. At its outset Innovation Place had a high percentage of research institutes and government or quasi-government institutions. That's less and less the case now. More and more we're attracting the private sector tenants, and the balance between the private and public sector is shifting towards the private sector.

Mr. D'Autremont: — Well my concern is, on hearing that the Department of Highways has and may be moving more of their operation into Innovation Place, is a concern that, is this simply a method of subsidizing one government department with money out of another government department? You're putting in over half a million dollars into Innovation Place for operations every year from the Consolidated Fund. Is that a

means to subsidize the budget of Department of Highways?

Mr. Douglas: — Our lease arrangements with government clients, be they federal or provincial, are on a commercial basis so there's no implicit subsidy in that arrangement at all. We have national hydrology institute; we have the Plant Biotechnology Institute; we have some provincial government clients; we have the Saskatchewan Research Council in there which is arm's length but supported by government, but they're on commercial terms.

Mr. D'Autremont: — So what does this more than half a million dollars in operating from the Consolidated Fund . . . what's it utilized for?

Mr. Douglas: — The essence of the need for a subsidy to Innovation Place is because of its capital structure, to be quite honest, because it's a hundred per cent debt financed. If this organization, or that aspect of our organization, was structured comparably to other corporations where there's a component of debt and equity in it, we think that we could make it break even quite nicely.

Mr. D'Autremont: — So the half a million dollars goes to pay the debt.

Mr. Douglas: — Interest on the debt.

Mr. D'Autremont: — Interest on the debt on Innovation Place.

Mr. Douglas: — So Innovation Place is very strong from a cash flow point of view. It produces cash, but all in, after interest and depreciation, it has a need for operating allocation. And at present we want to make sure again that things are transparent, so we show that as a need. And the province has made a decision to transfer that amount of money from the General Revenue Fund to Innovation Place.

Mr. D'Autremont: — So when the transfer was made from CIC to SOCO for Innovation Place you put a transfer value on that of 39 million plus some additional debt. Did SOCO transfer \$39 million then to CIC plus pay for whatever additional debt was being accrued, or what happened in that transfer?

Mr. Douglas: — We assumed the assets and the debt that went with that assets and so on. We assumed a debt with the General Revenue Fund equivalent to the value of the assets.

Mr. D'Autremont: — So you assumed a \$39 million debt plus some additional debt.

Mr. Douglas: — For the capital that was under way. And we continue to draw financing from Finance to look after the capital construction that's under way there now.

Mr. D'Autremont: — So CIC's debt should have dropped by 39 million plus the additional capital debt?

Mr. Douglas: — I assume that that took place. I don't have CIC statements.

Mr. D'Autremont: — So if we check in CIC we should see an asset.

Mr. Douglas: — There's a constant in and out of debt financing with Crowns and I'm not sure exactly where that would show.

Hon. Mr. Lingenfelter: — I think the 100 per cent debt financing is one of the issues that is ongoing with the operation of the park, because if anyone tried to run their farm or business with 100 per cent debt . . . Let's say you went out and bought 10 quarters of land today and you borrowed 100 per cent of the money, and then you went out and bought equipment and you borrowed 100 per cent of the value of the equipment, at the end of the year it would be very, very difficult to show a good profit line.

And this has been our argument to CIC and others about the management of Innovation Place, is that to run it on a hundred per cent debt is very, very difficult and few other organizations in the world are asked to manage in such a way that you break even when you're using a hundred per cent debt.

Now whether or not it makes a heck of a lot of difference when you're dealing in government whether they were to put in 50 per cent of the capital and then you borrowed 50 per cent, I mean at some point it all comes back into the same pool, I expect.

But at any rate, in terms of the managers of Innovation Place, it makes them do double duty to come even close on the bottom line when they have to borrow all the money. And I might add, borrow the money at a rate set by one agency of government so they can't even go out and shop around and get, I think, at this point, the lowest debt.

Now I'm making a pitch that you might want to take to the minister in charge of CIC or Finance to help us out on this.

Okay, we've got some numbers here now but I don't know that it shows us what we need. Yes, this doesn't help. What we really need is a breakdown of federal and provincial because there's a fair component of federal here as well. But it shows 24 per cent being public and the balance, or 76 per cent, being private and other.

Mr. D'Autremont: — Well I was concerned that we were subsidizing one area of government with monies from another area and that those areas, such as the Department of Highways, should be paying their full value for the rent purposes and it should come out of their budgets directly rather than out of another area of government.

Mr. Douglas: — That is the case.

Hon. Mr. Lingenfelter: — It could give you some indication of growth as well. In 1990 there were 51 companies or entities in Innovation Place; 1995-94 now it's over 100. So that gives you some sort of a rate of growth at that park. It's quite phenomenal. And the number of jobs have . . .

Mr. D'Autremont: — It would depend on the size of the businesses going in there. If you had 51 large and got in a hundred small, you may not be utilizing any more space or any more jobs.

Mr. Douglas: — Maybe a better indicator, Minister, is the number of employees. And it's now grown to 1,500 from considerably less than that, and we'll work on that number for you as well.

Hon. Mr. Lingenfelter: — But it's just a . . . It's got a reputation now that goes far beyond most research parks in Canada and has I think just a world . . . really a world-class reputation.

Mr. D'Autremont: — I will come back to that later. I will turn this back over to another member. Thank you.

The Vice-Chair: — Thank you, Mr. D'Autremont.

Mr. Bjornerud: — I just have a couple of questions, Mr. Chairman, and then I would pass it on to my counterpart.

But I'd like to go back just for a minute to the \$714 million that was infrastructure money that went to Innovation Place. And I . . . this really kind of shocks me to an extent because I didn't realize that infrastructure money was allocated for anything other than municipal government projects such as cities, towns, or RMs (rural municipality). Did Innovation Place request this money?

Mr. Douglas: — As part of putting the financial package together for the bio-fermentation facility, yes, we applied to the Canada-Saskatchewan infrastructure program to participate.

Mr. Bjornerud: — Because probably maybe this is just my misconception of what the program was about, but I didn't realize projects such as that were part of the infrastructure program. And I think why I'm saying that is because a number of municipal projects were turned down for lack of funding and, you know, that they ran out of . . . money was running out. And then there's three-quarters of a million dollars here on the side that went for this.

So I think that's why my question is, how did this money come there? Maybe it was my being naïve to where the money was coming from, but where it was going and how it was going there.

Hon. Mr. Lingenfelter: — Okay, again I'm just not really involved in the infrastructure program but what I have done is I've got Jan to go out and phone and just check on the mandate of the infrastructure program. But obviously it would have had to be reviewed and met all the criteria, not only of the provincial government but of the federal government as well. And we'll get for you what kind of projects across Canada actually applied. But my sense is that it's much broader than what even us talking today would have appreciation for.

Now on the other hand I'm not making any apologies for the fact that it's being used for bio-tech infrastructure. Because

when it comes to the new-generation jobs that we're creating, while highways are important and we've got to do more to build that infrastructure as the transportation uses change as a result of the dismantling of the Crow benefit, building infrastructure at educational facilities in many ways in my mind has every bit as much importance as infrastructure to carry truck loads of grain or truck loads of cattle. If we aren't building infrastructure that's used to train our kids up for these new jobs that are being created, and actually creating new jobs . . . I think it's a matter of balance in making sure we're doing the best with the few dollars that we have.

But let me check for you because I'll find out where it is going to.

Mr. Bjornerud: — Yes, I think I'm agreeing with you to an extent, that I'm not belittling the bio-tech or Innovation Place. There's a big importance for what they're doing. But I think what I'm saying is I didn't understand that money was available for that.

One of the other . . . the other question I have is, is SOCO accessible under the freedom of information? Is SOCO available to the freedom of information Act?

Mr. Douglas: — Again there's an OC (order in council) pending I think, to list us as one of the agencies, but ever since that Act has been proclaimed and SOCO has come into existence we've followed it.

Hon. Mr. Lingenfelter: — I think what you have to realize, well not realize . . . but part of it though because there is a commercial component of Innovation Place and also of our loan portfolio. If you were to go to say look, I want to know what this individual is paying in interest and whether his loan is up to date, that would not qualify under freedom of information. Or if you said, well what's happening at Innovation Place, I want to find out information about the research and get records and all that, that would not be . . . But as it would apply, the freedom of information does relate to SOCO.

The Vice-Chair: — Thank you, Mr. Bjornerud.

Ms. Draude: — Thank you. I know that this sounds like we're carrying on this conversation when you said you'd just as soon wait and get me some more information on. but we'd said that as part of putting the financing proposal together for this place that you applied for money through the infrastructure program. In lots of cases for business that means that you apply for a loan and you don't get this fund, you'd have to get it from some place else. Is that correct?

Hon. Mr. Lingenfelter: — For the infrastructure program . . .

Ms. Draude: — When you said that you got the three-quarters . . . just about three quarters of a million dollars from the infrastructure program, if you wouldn't have been approved under that, for that amount . . . Did you know you were going to be approved for it?

Mr. Douglas: — No, we weren't sure one way or the other.

Ms. Draude: — So then what would . . .

Mr. Douglas: — Now the thing that I think I should point out here is — my memory may not serve me well here — but that was in progress as SOCO was being created and it may in fact have been a capital project that had received approval under the original infrastructure program through CIC or whatever. We took that on and we assumed Innovation Place in August of 1995. But I did have some personal involvement in this as you probably know, and my recollection is that we had to apply and there was no guarantee that we were going to get it at all. It met all the . . .

Ms. Draude: — So then there would have been an additional three-quarters of a million dollars to be borrowed from . . .

Mr. Douglas: — Actually I may not have been explicit enough about this in the answer to an earlier question, but the total that we applied for under that program — again if my memory serves me correctly — was about \$2 million and this 750,000 would only be a portion thereof. And if we had not accessed those funds we would have had to think carefully about whether or not we would have proceeded with that centre. Because we have a mandate to provide that kind of infrastructure like a bio-fermentation facility or any other infrastructure project we work on at a break-even basis or as close to that as we can get. So it may have affected the financial viability of that particular expansion.

Hon. Mr. Lingenfelter: — There is another piece to sort of the creating a full-meal deal at Innovation Place that we're working on right now with our federal counterparts in Ottawa that's much bigger than the fermentation plant, that you'll be interested in. And that's the light synchrotron which we're negotiating with the federal government as we speak.

Now we could take the position that rather than have the federal government put money into the synchrotron, which will expand the base that the research park will be able to do, making it the only synchrotron equipment in Canada, which then all companies from across Canada would need to come to get that service from Saskatoon, we could say to the federal government, well look, we don't want to do that, we'd rather \$10 million worth of roads. But in a way, I think we have to do both.

I don't think it's a matter of taking all of our money that the federal government could possibly give to us and say, well roads are what is the most important issue that we have to do. And again you'll be interested that your federal minister, thank his forward-looking process here, but Mr. Goodale is very much involved in trying to get the federal cabinet to put money into the Innovation Place or wherever this synchrotron would be located. We think Innovation Place would be a very good spot for it. Maybe it'll be at the university, maybe the city of Saskatoon. But at any rate, both the provincial and federal government, we're now committed to — what? — \$5 million?

Mr. Douglas: — I believe it's 10 over a period of time.

Hon. Mr. Lingenfelter: — Whatever. But we've already

committed some amount of money. It's a public number; I can get that for you. But the federal government is also committed, for the simple reason that this new piece of equipment would put Innovation Place even at a higher level on the world scale of research parks.

So we need bio-fermentation; we have a linear accelerator; we need the light synchrotron. And then with a hundred companies from worldwide that are located there, you will have another step-up of the research park that will then attract another layer of companies from around the world.

And so this is a process that we hope will just go on and on and on making it an even better and better research park.

Ms. Draude: — I just have one other question and I should know that answer to it, but I don't. The cost-sharing arrangement in the infrastructure program is 70 per cent federal, 30 provincial — is that correct?

Mr. Douglas: — I don't have that figure so I can't answer that.

Ms. Draude: — I guess I did have a question on synchrotron and I was under the impression that it actually had been approved. And from the way you're saying it, it sounds like maybe it's not. Is it coming to Saskatoon for sure?

Hon. Mr. Lingenfelter: — What has been approved is that if one is built, it will be built in Saskatoon. The site selection has been done. What isn't completed is the funding and financing of synchrotron. There's been a Team Canada approach to setting up a committee to work on this project which includes expertise from the industry, people from the university, people from the federal government, people from the province. They're now tasked to put together the financing plan — who's going to put the money in to build it; who's going to use it afterwards; what's the break-even point; if there is a loss on it, how that's shared between the municipal, provincial, and federal. And that's the point it's at right now.

It's been approved for site selection for Saskatoon, but there's still a number of steps that have to be gone through before it actually would be built, most of them around money.

Ms. Draude: — So when do you expect the answer?

Hon. Mr. Lingenfelter: — I don't know what the deadline is or if there is a deadline. I can find out for you. But I think it's months — not years — away when a decision has to be made.

But so far the committee and the structure has worked very well. We're very pleased that Saskatoon was chosen as the site for it. And I think the same effort being put into the financing, we can manoeuvre our way around that.

Ms. Draude: — Are you expecting that the funding for this project will come through SOCO or through what project?

Hon. Mr. Lingenfelter: — Right now the funding is approved, I think through the Department of Economic Development, but the money hasn't been spent yet. It's just we've made a

commitment to it. And so no money would have to be found and allocated during the budget process. But we have made a commitment, if a deal is worked out, that we would put our money in.

Ms. Draude: — It was allocated in the '96 budget?

Hon. Mr. Lingenfelter: — I don't think so because I don't think there was any anticipation that the money would be needed in '96. Only a commitment was made.

Ms. Draude: — I see. Okay.

Hon. Mr. Lingenfelter: — I think 1997 may be, if it were to go ahead, a year when some money would have to flow, but I don't think it would be anything like the total amount in '97. But as we get into the budget process we'll know that better, and certainly when we get into the House and the budget's presented, it may or may not be there. But we'll have to see.

Ms. Draude: — Okay. I have a question on the proposal for another type of Innovation Place, the one that was to be built perhaps in Regina. I understand there's a feasibility study going on right now. Can you tell me where that's at?

Mr. Douglas: — Certainly. You'll recall I think in June of last year there was announcement of a partnership between the Regina Economic Development Authority, the University of Regina, city of Regina, and SOCO, to develop a conceptual plan for a U of R (University of Regina) R&D park very similar to Innovation Place, based quite simply on the notion that the successes of Innovation Place were such that we wanted to explore using the same model with the university here.

That work is under way. We're hopeful that it will be completed early this year and then government and the other parties involved will have to make a decision as to whether or not to proceed with it based on the results of that planning. There's been no absolute commitment made — there's just an agreement to pursue a conceptual plan, or as you call it, a feasibility study.

Ms. Draude: — Are you looking at any other area in the province besides Regina? Are you looking at something outside of the three major cities for actually some development?

Mr. Douglas: — For . . . pardon me?

Ms. Draude: — For some development of a project such as the second, albeit smaller version, but a version of Innovation Place to actually encourage, to enable, some parts that you would consider rural Saskatchewan to expand.

Mr. Douglas: — We are quite willing to look at infrastructure projects in rural Saskatchewan and I guess you could categorize this particular proposal as one of those. We have none under active consideration at this stage.

Ms. Draude: — So it just means Regina this time.

Mr. Douglas: — Yes, it's based on the notion that in order to

make these kinds of parks work, it takes a partnership between those with the academic and scientific expertise and industry, and with doing it associated with a university campus is the way to make them successful.

Ms. Draude: — Have you had any proposals from any place outside of Regina to consider their area?

Mr. Douglas: — For an R&D park?

Ms. Draude: — Yes.

Mr. Douglas: — No.

Ms. Draude: — Is there any reason why a place — and I'm just going to pull a place out of the air like Humboldt . . . would it be just as feasible for a park as the cities because of technology that enables communications to flow easily?

Mr. Douglas: — I don't know if the minister wants to speak to this. I've heard him speak on the notion that some of these facilities could locate in smaller centres. He wouldn't rule them out.

Hon. Mr. Lingenfelter: — I don't know about Humboldt and I don't know about any community, but one could imagine for example, a community like Lloydminster, if it wanted to become a centre of research for heavy oil, that if someone put together some sort of a strategy that saw research in conjunction with Husky Oil and others who in that area might want to do a heavy oil project in terms of research and development, we would certainly want to take a close look at that.

And I'm not here saying that there's anything on the drawing boards — nobody has ever talked to me — but just imagining how it could happen outside of Saskatoon or Regina. I would expect though that there would still have to be a link from Lloydminster with the university or with . . . to do some of the research and development. Maybe not.

You might imagine Prince Albert being a research centre for forestry or something like that. So I don't think it's inconceivable that you might have something going on in Humboldt that would be related to hog production or manufacturing, but at this point in time nobody has come forward with sort of a bench . . . or of a private sector and local government to propose to us that kind of a concept.

Ms. Draude: — The reason I suggested Humboldt is because of the importance of PAMI (Prairie Agricultural Machinery Institute) there. It has worldwide recognition for the machinery testing, and I'm . . . in lots of cases the same thing that you're talking about with biotechnology — it takes government encouragement and perhaps that's the only way we're going to be able to see some viable rural communities, is if the government does care to invest some . . . get some interest in the community such as that sounds.

Hon. Mr. Lingenfelter: — See I think the concept of a testing centre in Humboldt is a good one. It's now expanded beyond

agriculture machinery as you know, with a couple of contracts we now have from the Canadian military. And looking even further afield at other testing from other associated entities like the Canadian military that might be done at the testing site in Humboldt.

So I think MLAs (Member of the Legislative Assembly) are wise to look at opportunities. Now that doesn't mean that every one that comes forward either would be approved. That certainly isn't the case in Regina. I mean it's been two years, I guess, since this has been started and talked about and still is a long way from completion. So if people have ideas, one would first assume that they would have a solid plan, and secondly, that it's going to take some considerable length, period, of time to prove itself up. So there are those concepts around. I'd urge people to work on them.

Ms. Draude: — Has SOCO considered becoming more involved in the research and development of other companies in the same way that the federal government works with their investment tax . . .

Mr. Douglas: — Over the last year we have started to examine different ways to participate at an earlier stage of the business development cycle. Up until now SOCO has only financed projects where we can see a product and a market and a solid business plan.

We haven't financed R&D to any great extent, but we think that there may be a role for SOCO in that area and we are developing proposals at the management level, which we've yet to take to our board or to government, along those lines — in partnership with others, by the way. We find, as was the case, or as is the case with the Bank of Nova Scotia co-investment fund that we have that you may have heard of, that the best way to do some of these higher risk activities, which financing R&D and R&D companies is, is in partnership with other sources of financing.

Ms. Draude: — But I believe that biotechnology is probably one of the biggest examples of R&D there is, so you are investing in that area already.

Mr. Douglas: — Yes.

Ms. Draude: — So then to look at further investment for something outside of the area of biotechnology — not that I'm knocking that — but it's more or less picking and choosing which area that SOCO is investing in. And I'm saying that you are already investing in R&D; you've just chosen which one.

Mr. Douglas: — We haven't chosen any particular one.

Ms. Draude: — Biotechnology is something that I understand . . .

Mr. Douglas: — That's where the demand has come from and that's the area that we have participated in to . . . in that area, in the R&D.

Ms. Draude: — But Saskatchewan actually has 30 per cent of

the agricultural biotechnology firms in Canada right in our province, don't we. It must have been because Innovation Place was an encouragement for those people to come here.

So that's why I'm saying that there is . . . The government has sort of chosen that this is an area to get into. Like I said, I'm not knocking it. I'm just saying that, stating that there is already activity in that area.

Hon. Mr. Lingenfelter: — I think the other thing is, is to really evaluate how much you can do at any one time and how much overlap you can have. And whether a centre that you might establish in a Regina, Prince Albert — wherever — Humboldt, adds to the provincial dynamic or takes away from what's already happening in Saskatoon.

And of course this is being very carefully evaluated as we look at the potential in Regina, because probably what we don't need is a centre here that will actually weaken the fast growth of what we already have growing, going in another area of the province. And so it's not to say that we shouldn't do Regina and won't do Regina or can't do it, it's just that we have to be very careful to make sure that, again as we said in earlier conversations, that we're not setting up a system where we're actually competing and taking business away from something that's already going on.

And to date I think all of the evidence would lead us to believe that the information technology centre that we're looking at in Regina would not take away from Saskatoon or Innovation Place in Saskatoon, but would actually enhance. And so this is the other thing when we're looking at potential for research parks — we have to keep in mind — is that we don't want to start setting up and creating yet another entity that duplicates what we already have paid for, in part with taxpayers' money, at another centre in the province.

Ms. Draude: — Research parks are something that are probably something that's done by people with a vision, people that are looking to the future, and I think that they're very important. But at the same time we have to decide how much of that money should be used on the practicalities of life at this time.

We're always saying that Saskatchewan doesn't have any money and I feel that we are actually using the few taxpayers' dollars that we have and we're gambling in uncertain ideas or research and development areas.

I know that Wall Street and Bay Street really haven't taken much of an interest in biotechnology or the agricultural part of it because they're fearing the gambling part of it. Any maybe that is what SOCO is doing. Maybe that's what Innovation Place is doing, is gambling that we're going to be one of the first ones on the block to make millions on it. Is that what's happening?

Hon. Mr. Lingenfelter: — Well if you look at what we're selling and what is being bought in terms of Innovation Place and the biotechnology, if you look at some of the . . . follow some of the companies and their asset level and their

stock-market performance worldwide, you'll find that biotechnology is now becoming one of the fast growth and successful areas of investment.

And whether it's Groupe Limagrain or Monsanto or the former Hoechst or the combination of Hoechst and Schering out of Germany, you'll find that these are very, very powerful world companies with billions of dollars in sales, and have need to do research and development to continually move to that next level in order to feed a rapidly expanding population which is expected to move quickly from 5 billion to 8 billion.

And a lot of the need to feed those people will come not as a result of expanded farm-land production, but increasing productivity on those acres, hectares or acres of land, and most of that coming by application of new biotechnology.

Why does Saskatchewan see that we are a natural fit there is because we believe that economies that grow build on the strengths that they have. We're a major agricultural province. We're at 60 per cent of all the export grains that are grown in Canada.

We have a research facility that now is the best in Canada. We have regulatory and legislative application in Canada and Saskatchewan that puts us at the front of the line, where companies can move their product from research to testing to field application faster here than — at least this is what the companies tell us — faster than anywhere else in the world.

So you have companies coming here because you first of all have the research facility that's world-class; you have the testing which goes on very quickly; you have the regulatory and legislative process which is as quick as anywhere in the world; and as important as anything, you have farmers who are as progressive as anywhere else in the world and will take the product and apply it in field performance.

So the reason companies are coming here is no great mystery or luck. It's because when they look at the whole range of science, universities, farmers, field application, legislation and regulatory structures, and they compare Germany, Japan, United States, Canada, they say that Saskatoon is the best place in the world to do much of this research.

So we're hooking into some very, very big names; some small names obviously, but if you look at the list of world-known companies, they're making a decision to come to Saskatoon. You've got to be proud and you've got to say that there's something happening here that isn't happening in any other biotech centre — agriculture biotech centre — in Canada. And it's paying, I think, big dividends with the 1,600 jobs that have been created there.

But more importantly in the long run I think, are the benefits that will accrue to the very people that you're most concerned about — that's rural Saskatchewan — because I think soon we'll be on the leading edge of not being only a grain producer for processing and manufacturing. As Mel Watson said, the former president of the chamber of commerce, Saskatchewan stands to become the major seed producer of high-quality,

high-value seeds for the rest of the world.

And this is what ag-biotech I think holds for the future of Saskatchewan. If you're looking at where the specific seed and genetic seeds will come from, for application right across the world, whether it's canola, or chick-peas, or corn, or any of these products, Saskatchewan is actually positioning itself to become a major seed producer for the rest of the world.

And some people say, well that's a wild dream or something that's unachievable. The fact of the matter is we are better positioned than any other country in the world and any other province of the world simply because it's a strength that we have. And where else to put ourselves on the map, to end the process of simply producing wheat to make into bread which we do very well.

But we have the potential of increasing the value of every bushel that we produce by 100 per cent simply by making it genetically superior crops to what are being produced even in Montana or Alberta or Manitoba.

And with a biotech centre like we have in Saskatoon, we have every reason to believe that in 10 or 15 years that very little of the product that we export out of here has to be exported simply for processing but can be exported for a much higher value because it will be in great demand as seed, as the need for this kind of seed becomes absolutely crucial to meet the demand for food for 8 billion people instead of 5 billion people.

That's the vision that we have for Innovation Place and crop production which will come back to your community. Now people say, but it doesn't create enough jobs. And it may not create enough jobs, but what I say to you, it will make the standard of living in your local communities go up and go up considerably.

Ms. Draude: — I appreciate what you are saying, Mr. Minister, and I assure you there's nobody more proud of Saskatchewan than I am, and this might sound a little strange to those listening, to have a liberal preaching to a socialist about maybe being careful about where we're spending our dollars. But I think that I am not just most concerned about rural Saskatchewan, I'm concerned about all of Saskatchewan. But if we don't keep the bread and butter on the table, the people out in rural Saskatchewan, it doesn't matter how many biotechs you plan to build. Somehow we have to keep our people going out in rural Saskatchewan. And I think that we have to keep that . . . we have to keep a relationship going there that makes it both possible. And that's what I'm trying to say.

Hon. Mr. Lingenfelter: — Yes. I don't disagree with you that you have to be very careful but I think by the same token there are people who deserve a lot of credit for what is happening at Innovation Place. If you look at the numbers, the people who have done the work at Innovation Place have done a great job. The staff at SEDCO, which gets very little credit for anything else, obviously have been doing a fair bit of work.

But I think the one person who comes right out of the university and the agricultural department in Saskatoon, the

former premier, who also is remembered for many things and unfortunately in oftentimes not for the right things, but I think did have a dream of what he thought should be happening with agriculture and with Innovation Place in Saskatoon.

And I mean it's one of the sad commentaries of our system of government, which is very powerful in many ways, but oftentimes people who do a lot of good in one area, because something happens in another area which is more press worthy, get forgotten for the fact that he spoke a lot about his vision for rural Saskatchewan, and the fact that Innovation Place and ag-biotech was a big piece of that.

On many things I don't agree with the former premier; on that topic I couldn't agree more that we really have to shoot for higher value for our products and the easiest way to do it is to move it from just commercial seed up to the excellence of seed production that we can reapply ag-biotech.

Ms. Draude: — Being pragmatic is sometimes boring but it's a reality that we have to deliver. But as we were talking about . . . you mentioned SEDCO; and I was just wondering, to change the topic a bit, can you tell me the loans that were outstanding at SEDCO, been transferred, many of them to SOCO, are these loans still being paid down? Is the amount of debt outstanding actually going down?

Mr. Douglas: — Six were transferred over for a value of about 1.6 million, Moyez? They have all proved to be in good standing. In fact I think several of them are — four of them — are paid out right now, paid out since then.

Ms. Draude: — Are there a number of them that had to be written off?

Mr. Douglas: — Not at SOCO. We did not transfer any problem accounts into SOCO at all.

Hon. Mr. Lingenfelter: — Well just so we're clear on this, if the member is asking about the ones that were transferred from SEDCO to Sask Opportunities Corporation, there's none of those that have been written off.

Ms. Draude: — So are there a number of loans that weren't transferred that have been written off?

Hon. Mr. Lingenfelter: — I don't mind answering that if I could, but really they were transferred to CIC, and when CIC comes before the committee, Mr. Chairman, I think that question . . . Michael Fix and his staff who manage that portfolio. I just don't have that with me.

But I think what I can say is with the improvement in the economy in a general way, some of those problem loans actually have bounced back. But I think those questions would be better put to the minister of CIC.

Ms. Draude: — Did SOCO get to pick and choose which loans they took?

Hon. Mr. Lingenfelter: — You're darn right we did.

Mr. Douglas: — And not as much as I'd like.

Hon. Mr. Lingenfelter: — But just so you know, we would have liked to have taken many more loans because many of those loans are very strong ones. And so here again, while it's the ones that were losing money that get all the attention obviously, lots of speeches could be made about the role of SEDCO and how many businesses that are around that simply wouldn't be in this province if it weren't for the involvement of SEDCO at one level or the other.

Mr. Douglas: — And if I could just add, there actually was a process that sorted them by mandate and size and those were the ones that we felt fit what we were doing.

Ms. Draude: — So you didn't take the little gaffers?

Mr. Douglas: — Some of them . . . well in fact, six at 1.6 million shows that we did tend to take the smaller ones because that is our mandate, and the larger ones have stayed with CIC; and those that were retail and service sector and so on that don't really fit our mandate stayed there as well.

Ms. Draude: — Mr. Minister, I'd like to get your thoughts on the way the government here handles economic development issues as compared to some of the other provinces. In B.C. (British Columbia) for example, they have B.C. Trade and Investment; Manitoba has a number of economic development corporations that grow bonds, etc., and Alberta has the Economic Development Authority. Can you compare the workings of SOCO and their counterparts as compared to what we have here in Saskatchewan?

Hon. Mr. Lingenfelter: — Yes, Zach, will talk to it in a more specific way because we've just done a bit of a comparison and analysis. And I guess the only thing that's true is that nothing stays the same and you can hardly keep up with what's happening in the various jurisdictions because everybody's constantly shifting as they struggle to get a better handle on economic development. And also as the political spectrum changes you'll have governments that at one point aren't very involved in economic development, then moving much more into it.

But what I would say is that dealing with the business community all of the changes that we've made, whether it's with the Tourism Authority in moving that economic development structure into a more partnership with industry, or whether it's a step in the new Trade Development Corporation that we've established where there's private sector and public sector on the board of directors, or with SOCO, which I think has taken a much more businesslike look at economic development, I think we have the support of business in a big way in the direction that we have been going on economic development.

I think it's fair to say too, that there are very few moves that we make that we don't have business support for at the front end. And that's certainly true with the establishment of Sask Opportunities Corporation.

When we took SEDCO out and did the consultation on whether or not we should just do in SEDCO and wind it down and not have another organization, it came back quite strongly from the business community that they didn't want us to do that; that they believed that there should be some organization that was in place with a mandate to do the kind of projects that I talked to you about earlier that just aren't being done by the banks and yet aren't retail in nature.

And so it was with that kind of instruction and with that kind of help from business that we went ahead and set up SOCO. And to this point in time we have very, very positive support from chambers of commerce and even from the banking institutions, who see us much more as a partner . . . as a competitor as they saw SEDCO.

And I know at this point in time, again federally, I know the . . . much of the business community is quite concerned about the amount of intrusion, I would put it, of FCC and Federal Development Bank into the lending area when you talk to bank officials and many business people because they feel there's unfair competition coming into the business place.

So I guess I would think that we're middle-of-the-road when it comes to how much involvement we have. Some areas have less and some areas have more. Zach?

Mr. Douglas: — Actually there's not much I can add to that. I think you've hit it right on the head. I could maybe answer questions about specific jurisdictions and where they're headed — maybe answer those questions.

Ms. Draude: — So SOCO wasn't designed after somebody . . . another province's?

Mr. Douglas: — No, but we've . . . as the minister referred to the consultation process that took place as we were formulating government's response to this issue of business financing and support of economic growth; at the same time we did a comparative analysis of what was going on in other jurisdictions. And we . . . looking at trends, and what works and what doesn't work. It wasn't patterned after any one of them but it draws from their experiences. And we do that on a regular basis. And we have done some internal work on that lately as well just to see what's going on in other jurisdictions.

Hon. Mr. Lingenfelter: — I think if you also look at . . . I think oftentimes the political rhetoric, and I say this whether it's government or whether it's opposition, are much better judged by the actions of government. And if you look at what we've done in terms of our positioning on our involvement in business, it's been very much less philosophical and very much more practical than anything.

And this is . . . the example of course, is our sell-off of Cameco shares. We were being urged to sell off Cameco shares when they were worth \$20 and \$50 and we made a strategic business decision to sell them at \$75 a share. And if you look at the prices of Cameco shares today, they only hit \$75 for a few months. You might argue that's luck; I would give the credit to our managers.

And if this were in the private sector you can imagine the kind of bonus that those people who made it, 3 or \$400 million for the taxpayers of Saskatchewan, would have gotten this Christmas had they been working and advising and went to move out of the Cameco shares. And I say that very, very honestly.

Follow the tracking of Cameco shares ... (inaudible interjection) ... No I'm serious, I ... follow the tracking of Cameco shares over the five years that we were in government and tell me that if you had advisers that pick the day to sell 10 million of those shares at \$75, whether you wouldn't give them a bonus.

Those same advisers on the upgrader, when the federal government and provincial government in Alberta were selling out their interest in the heavy oil upgrader at Lloydminster at 8 cents on the dollar, our advisers told us to stay in the upgrader. We could now get out of the upgrader for a buck, maybe a buck ten, on every dollar we put into it. There again, saving the taxpayers of Saskatchewan 5 or \$600 million.

And so it's not as to whether we think the government should have a big role or should have a littler role, each of these have to be judged, I think, on their own merit. Husky being one where we stayed in and took a bigger position because we thought, all things being equal, it would go up. And our advisers were right, it has. Cameco, that we had hit a peak at \$75 and should get out. And I think today they're selling for around 55. And so I think if you look at where we position ourselves on economic development, it's very much practical and pragmatic.

Ms. Draude: — When you talked about comparing the other provinces and their economic development strategies and policies, are you happy with Saskatchewan's when you look at the ... also comparing the job creation numbers in the provinces?

Hon. Mr. Lingenfelter: — Job creation as you know is one element of the whole array of measuring sticks that you can look at. I think job creation in Saskatchewan has always been tough and you don't need to go back very far to find that in an economy that is very much resource based and primary production based, very difficult to even keep the number of jobs when, for example in the last five or six years, I think we've lost 7,000 jobs in agriculture. For the other sectors of the economy, we have created net increase of 11,000 jobs. These are very tough to do.

If you go to steel production, in the last six years steel production at IPSCO has gone from 300,000 tonnes to a million tonnes a year — a 300 per cent increase — and not an extra person needed to produce that steel. In uranium in northern Saskatchewan, once you get the mines built, we're actually using robotics to do our mining. And the same is true in many, many areas.

So job creation has always been tough in Saskatchewan. But when you look at migration, we've gone from out-migration net of 6,000 people a year in 1988, when it hit a high, down to this

year in 1996 when we actually had net in-migration.

Ms. Draude: — Of 18?

Hon. Mr. Lingenfelter: — Whatever it is. But it's only one of three provinces that had net in-migration this year. So the member can scoff at it, but it shows — I won't say ignorance because that's too strong a word ... but if you're ignoring the fact that moving from 6,000 net out-migration to net in-migration in Saskatchewan, you're missing a big piece, because Quebec and Ontario had out-migration in the third quarter of 1996. Who would have ever thought that Saskatchewan would have in-migration and Quebec and Ontario have net out-migration?

And I say this is serious because the people of Saskatchewan who are creating the jobs deserve a great deal of credit for the fact that we've turned the trend from losing 6,000, mainly young people, in 1988 to actually having people moving to Saskatchewan. This is true. We're net balanced now of people moving from Alberta to Saskatchewan and people moving out of Saskatchewan to Alberta.

Now I mean, these are statistics that StatsCanada provides for us. And we'll be talking a lot about them in the House because I get a little tired of the Murray Mandryks of the world writing reports that the economy of Saskatchewan is somehow stagnant.

Nothing could be further from the truth. It's vibrant; retail sales up 7 per cent. In-migration for the first time in 14 years. The population has grown every quarter since we came to government in 1991. Housing sales are up. The building of houses of Saskatchewan, particularly in rural Saskatchewan, up by 30 and 40 per cent.

Do we wish that we had more jobs being created by the economy? I think it's fair to say that we all wish there were more jobs. But to say that the economy of Saskatchewan is stagnant or somehow that we don't have a good lifestyle here does a disservice to, I think, everybody who's involved in the economy.

Ms. Draude: — So are you going to hit our 30,000 jobs?

Hon. Mr. Lingenfelter: — Pardon?

Ms. Draude: — Are we going to hit our 30,000 jobs?

Hon. Mr. Lingenfelter: — Well I'm optimistic that by the eight-year period which we set between when we released the document in the ... late in 1992, that that period between '93 and the year 2000, that we'll be able to generate the 30,000 jobs that were anticipated in *Partnership for Renewal*.

Ms. Draude: — I know that government has several ways they can get involved in business, and I see that CIC plays a big role here, and can you tell me how you really distinguish what CIC has done compared to SOCO and investments in the growth fund? Is there a difference in the mandate between them? Are each of them the viable entities that ... Should more emphasis

be put on one or the other one?

Hon. Mr. Lingenfelter: — Well there's three organizations that the member refers to. There's SGGF (Saskatchewan Government Growth Fund), which is really an immigrant investor fund which the government has very little to do with. This is money raised mainly in Hong Kong and Asia, where people basically buy their immigration through a federal government initiative. And Saskatchewan business, through the Saskatchewan Government Growth Fund, have raised a lot of money. I think they're the second highest province. I think only Quebec has raised more money through immigrant investor funds than Saskatchewan. And this money is allocated through various boards depending on which fund you're working with. But it has generated several hundreds of millions of dollars worth of investment in the province and jobs that have gone along with it.

You know the mandate of SOCO. And really the ones I think that we're concerned about here in this committee, because it's taxpayers' money, are CIC, basically CICIII (Crown Investments Corporation Industrial Interests Inc.), which is the investment side of CIC, and SOCO. And here it's mainly a mandate of magnitude. We cut out somewhere around 2 million, Zach, in general, although with cabinet approval we could do more. Any projects over that we see as the mandate of CICIII.

The Vice-Chair: — Thank you, Ms. Draude. Committee members, and Minister, it's roughly quarter to four and I'm wondering if there's interest in a 5 to 10 minute break, or if we should just flow right through.

Hon. Mr. Lingenfelter: — Well it's up to the members. I don't have any opinion. The only thing, if it's short, we should complete it. If we need an extra half hour or an hour, then probably we should break for a minute.

Mr. D'Autremont: — A five-minute bathroom break.

The Vice-Chair: — A five-minute break. Okay, the committee will adjourn for roughly five minutes. I urge everyone to please honour the five minutes so that we can get on and finish this up. Thank you.

The committee recessed for a period of time.

The Vice-Chair: — Order. Committee members, thank you for your cooperation in being back so promptly. By my watch, six and a half minutes has gone by in our five-minute break and that's just virtually a record. Mr. D'Autremont, you have the floor.

Mr. D'Autremont: — Well thank you very much, Mr. Chairman.

The minister talked a little bit about rhetoric and philosophies of oppositions and governments. And when I listened to his comments and look at the actions of his government, you'd almost think he was a Liberal — campaign from the left and govern from the right. And that seems to be what is happening

in both Saskatchewan and in Ottawa. I agree with some of the things that your government has been doing but there's others that you maybe are sticking a little too close to your rhetoric on.

You talk also about 60 per cent of Saskatchewan's grain being exported and that we need to enhance our seed and sell quality seed rather than simply grain for consumption. And I don't disagree with that. Particularly in the light of some of the CWB (Canadian Wheat Board) changes we may very well have to keep a lot of our, particularly barley at home, and since the borders may be closed.

And I think perhaps that's an area that some of the biotech . . . the university maybe should be pursuing — is better means to utilize some of our commodities that we grow here, a secondary manufacturing of those resources. And that would be an area perhaps that Innovation Place could do some work.

Those are just a couple of comments that I had. I wonder if you could explain for me, because I do not know what a synchrotron does or is, if you could explain what that is, that particular thing is about, when we get to that.

You talked about how well the government is doing though with employment. Well if you look at employment since 1991 . . . And you use 1991 as a base for a lot of your comments. Unfortunately though, for employment you like to use 1992 as a base.

And I certainly understand why you shift from 1991 to 1992 to use as a base figure for your employment levels. Because when you look at 1991 till today, you only have an increase of about 2,000 jobs. And yet we're looking at a province where the economy . . . the price of wheat has more than doubled. The price of oil is up by 60 to 70 per cent. Potash is up significantly. Uranium is up. All of those natural resources that Saskatchewan has traditionally exported are significantly better, so hopefully our economy should have improved, and it has to a certain degree. But with all that improvement we haven't seen the job performance figures that one would have expected to generate with that significant increase.

So I think while you as government may want to take credit for it, I think in the long run you have to look at where the economy has increased its performance and it's in those areas where the government has little to no control, which is at the level of prices of our natural resources.

And while Saskatchewan can certainly benefit from it, I think that the government is in jeopardy when it takes credit for those things. And it reminds me of a few years ago when a government minister of this current government phoned to chat about an item and was complaining that the farmers were blaming her for the weather. Well when you take credit for the good weather you also get blamed for the bad weather.

So while the government may want to take credit for the performance of the economy based on the increases of our natural resources, you also get blamed if those natural resources go down. So if you don't take credit you won't perhaps get all the blame.

I want to move on. You can comment on the synchrotron because I'm not exactly sure what a synchrotron is and what it does. So you can comment on that if you would, please. But I would like to move on to the film industry, and within SOCO just how much money do you have invested into the movie industry in Saskatchewan?

Mr. Douglas: — At this stage, which is not December 1995, but as of now, it would be approximately \$1.5 million.

If I can just go to that topic of the synchrotron and if you can forgive me for trying to give very much of a layman's description of what it is, is a research device which involves amplifying and creating light beams which are used as a tool for research at the molecular level and for some very specialized work around molecular biology as well as some very fascinating applications around medical technologies and miniaturization of medical devices.

But it's essentially a research tool, a next generation of research tool, say compared to the linear accelerator at the University of Saskatchewan. And it is very much in demand as a tool, as a piece of infrastructure, by advanced technology companies in that area.

Mr. D'Autremont: — Okay, thank you. How much money . . . okay when you invest in the movie industry, do you invest in a particular project? Somebody comes forward with a movie idea and you invest in that movie or are you investing in the production company?

Mr. Douglas: — We've done both. In that breakdown that we gave you in terms of our exposure, I think again you can see from the 90 . . . November '96 SOCO report that we have 400,000 in the project . . . (inaudible) . . . No, I think we can calculate that very quickly. It's primarily project financing, but we have a modest equity investment in *Mind's Eye*, if I can find it. So about 270,000 of that would be equity investment in companies as opposed to . . .

Mr. D'Autremont: — Individual projects.

Mr. Douglas: — Yes.

Mr. D'Autremont: — How much money did you put in . . . did you put any money into a feature film with the name of *Decoy*?

Mr. Douglas: — Yes we did.

Mr. D'Autremont: — How much?

Mr. Douglas: — Actually that was one of our assumed accounts. We invested \$350,000 and the balance outstanding on that now, which is under a loan, is \$70,000.

Mr. D'Autremont: — When you enter into an agreement on a loan . . . excuse me, on a feature film such as *Decoy*, do you take anything other than a lender relationship where they would have a regular, fixed schedule of payments? Do you take a percentage of the film, that type of arrangements?

Mr. Douglas: — When we do equity, as I said earlier, we expect equity kind of returns and we take an appropriate share of the proceeds or the profits of the project. It's not at a fixed rate of financing.

Mr. D'Autremont: — Okay, when talking equity then, would you take equity in a project as in a feature film, where you would have a percentage of the return? Or when you take equity do you take equity into the production company which actually could hold assets?

Mr. Douglas: — Again it varies. There's no absolutes about any of this. It varies according to the project and the production company financing that we've provided and so on.

Mr. D'Autremont: — Okay. If you went into an equity position on a movie, would you participate in things like video releases, you know, distributions of videos and that type of scenario?

Mr. Douglas: — Those are called ancillary rights and we tend to, again, participate according to the, to the kind of capital we provide. So we may have some return coming from the ancillary rights as well.

Mr. D'Autremont: — Have you got involved in that, with the equity, up until now? — making cartoon characters and plastic toys and . . .

Mr. Douglas: — We have not directly participated in an investment in those activities. Those are rights that go with a project and sometimes those rights carry a return as well; are sold and they carry a return.

Mr. D'Autremont: — When you do an investment in a movie feature, are you looking at a short-term repayment schedule or a longer term? I'm not exactly sure what the life expectancy of a movie would normally be.

Mr. Douglas: — When you're doing any kind of equity investment, whether it's in the film sector or any other, you have to assume that it's going to be over a little bit longer time frame. It's unusual for equity investments to start showing a return and a return on . . . or payback and a return on an investment in anything under a couple of years. The time horizon is usually three to five years, and film projects probably would not be that different than others in that respect.

Mr. D'Autremont: — I would have thought that a movie would make its returns, once it hits the market, within a year. After that it's old hat and unless you go into the video end of it, I would suspect that there's not a lot of potential for it after a year or so.

Hon. Mr. Lingenfelter: — Just let me, Zach, if I could. There's two things that I want to say on *Decoy*. I just want to correct it for the record one thing. The \$350,000 is accurate that we put into it, but whatever is remaining on that loan isn't accurate, or exactly accurate, but what we can say is that it's current. Just for the record.

The other thing just on the movie industry, and I hate to interject here, but there's . . . what we have to know is the movies we produce are not what you consider the movies that are appearing on the marquees downtown in Regina. There is that level of movies called theatrical movies and they are sold at movie auctions. And the world is broken into four or five different areas, and somebody will buy the Asian rights, somebody will buy North American, somebody will buy Europe and you may have five different owners of the, of the movie once it's sold, of the same movie. That's if it's a theatrical movie.

The movies we're been producing are not theatrical. *Decoy* was not a theatrical movie and was never released as a theatrical even though it was shown here at the theatres. It was done as a one-off for Saskatchewan people. It was not released in theatres in any other part of the world. It was done totally as a made-for-TV or made-for-airplane or made-for-someone video. And the total money that is accrued from that did not come from theatres but came from the video stock.

The interesting thing is, where our future in film production is, almost totally is in made-for-TV movies or made-for-video movies. They're the 4 million to \$5 million movies that are pre-sold. There's very little risk involved. You know before you go into it that somebody's bought it for a certain slot on TV or somebody's bought it for a video.

And the reason we like these productions is there's just as many jobs involved in holding the cameras, writing the script, doing changes, at a \$4 million movie as there would probably be on a . . . or could be on a \$30 million movie. Because the large difference is whether Kevin Costner is getting \$20 million off the top — one person — or whether you have the main actor getting \$1 million. And so the other thing we should remember is that a lot of times the amount of money being spent on a movie has very little to do with the number of jobs being created, but whether you have the marquee actor or actress.

So what we're going after and have gone after with a great deal of success on the financial side are the knock-offs, where there's very, very little risk involved. If you produce a \$4 million movie made for TV or made for video, there's just not a lot of risk involved as there is with a *Waterworld* that might cost a hundred million and ends up losing \$30 million.

Mr. D'Autremont: — *Waterworld* was the one I had thought of too that we wanted to avoid.

Hon. Mr. Lingenfelter: — We're not doing any of those yet, but Zach is working on a couple.

Mr. D'Autremont: — Well he can personally invest in it if he likes, but I don't want my money there.

Mr. Douglas: — Every investment I make I consider it as if I was investing my own money.

Mr. D'Autremont: — When SOCO does a movie project and is assessing a movie project, do you have staff on hand that are expert in such assessments? Or is the same guy that's assessing

the local hotel the guy who's doing the movie?

Mr. Douglas: — We don't have dedicated investment managers to any particular sector, but we have individual investment managers that have developed a lot of expertise in particular sectors and we have a couple in particular that we use for film projects that we think have gotten to know the industry quite well.

And we've, to be quite honest, we've moved in this area very slowly and cautiously and learned as we go. And I hope that we haven't made any mistakes.

Can I make one more observation just to add to your comment about when you might expect to see a return. In a certain sense you're correct to say that you'd expect to know fairly quickly once it's released. When I talk about the time frame, it's from the time you make the commitment to the time it is released and then how long it takes to get your money back.

That's what takes the time. Because from when you make your commitment to the time that it's fully produced, edited, ready for distribution, and all that sort of thing, it's quite a considerable length of time. So it may not be much longer than a year after release before you know exactly where you stand with a given project.

Mr. D'Autremont: — Once these projects are approved and money has been disbursed, the film is being made, it hasn't quite reached distribution stage, what happens with the interest in that particular area? Is it simply accruing and will be paid back later on or is interest being maintained on those accounts? Or what happens in those particular cases?

Mr. Douglas: — Again, it depends on the investment. If it's a conventional . . . Film investments are kind of unique in some ways because usually they have a tiering system where you get paid . . . you recoup your investment and then return on your investment starts to happen. It's very hard to describe them in conventional terms that you or I would be comfortable with, say on a farming operation or something.

But generally speaking when it's equity, there isn't a fixed rate of return and you wouldn't be expecting to receive a fixed rate of return during the period till your investment comes to fruition.

Mr. D'Autremont: — Because they're not generating any income during production.

Of your one and a half million dollars that you've invested in the film industry right now, what percentage has been returned up till today? Or up until the end of '95 if you want to stick to that.

Mr. Douglas: — About 15 per cent, approximately.

Mr. D'Autremont: — Are any of these loans of a forgivable nature, that there is some write-off, or are they all expected to be repaid?

Mr. Douglas: — They're all expected to be repaid. SOCO doesn't provide, in any sector, forgivable loans.

Mr. D'Autremont: — You mentioned earlier that there was 219 jobs, full-time equivalents, created in the film industry with the investments by SOCO. How many of these employees or these full-time equivalents would be Saskatchewan people versus people from outside of Saskatchewan?

Mr. Douglas: — I think in that number we've actually only reported the ones that are for Saskatchewan based, if I'm not mistaken. We'd have to double-check that, but the vast majority are.

Mr. D'Autremont: — If you could check that, please.

Mr. Douglas: — Yes.

Mr. D'Autremont: — Okay, that covers my film industry questions.

I'd like to go back to Innovation Place where we were at previously.

Under SEDCO, when the change was made from SEDCO to SOCO, part of the rationale for that change was to get the province, or SEDCO, SOCO, out of management of properties. Now Innovation Place went to CIC. Why did it come back to SOCO?

Hon. Mr. Lingenfelter: — When SEDCO was wound up, Innovation Place was transferred to CIC, and then there was a review done of what we should do with it — whether we should set up a free-standing Crown corporation; whether it should go to the Department of Economic Development; whether it should be transferred to the university — and there was some consideration given to that — or whether in fact it should go to the new agency, Saskatchewan Opportunities Corporation. And when the deliberations were all done, it was decided the best place to have this operation was in Saskatchewan Opportunities Corporation. So the decision was made, cabinet decision made, and then the announcement.

Mr. D'Autremont: — Well I would have thought since the mandate for SOCO is to be a lender rather than an property manager, that it may have been better off being left in CIC. I don't see any real advantages to having it in SOCO. So you know, it's just a philosophical thing. I think it would have been better being left at CIC, which is a manager of Crown properties.

Hon. Mr. Lingenfelter: — Yes. You can be guaranteed that those views were put, and put quite strongly, by some within government, some out of government. At the end of the day the consensus was though that it fit best in Saskatchewan Opportunities Corporation.

It may be where we're lending our money. As a percentage with sort of that whole research and development biotech lending that was going on within SOCO, I think somehow tied the two together fairly nicely and neatly, and so that's what the decision

was made and there's nothing perfect about where it's located at.

I think in some ways you're absolutely right. It could have been operated and managed just as easily — you may be right; maybe easier — out of CIC, but at the end of the day that was decision that was made.

Mr. D'Autremont: — Or even Saskatchewan Property Management, whose business is to manage the properties of the Saskatchewan government. A little more line-department type than what Innovation Place is perhaps. But you know, another area might have been the Saskatchewan Research Council, which is quite involved with Innovation Place, and the research there is another area that maybe could have dealt with it; although I'm not quite so sure about that one.

Hon. Mr. Lingenfelter: — I think what you may want to do is follow this up with the president of SOCO, because there are some actual . . . It's worthwhile to spend, if you've got some time over the next while, to sit down and talk about how that whole process worked. Because there was a fair bit of debate that went on and it certainly wasn't automatic for a number of months that it was going to move over to Saskatchewan Opportunities Corporation. There was . . . a fair bit of soul-searching went on in that period.

Mr. D'Autremont: — Innovation Place . . . we've talked earlier about the little more than a half a million dollars transferred from Consolidated Fund to SOCO every year. You mentioned that that covers the interest. How much of Innovation Place's actual operating expenses and any interest are covered by the revenues generated by Innovation Place . . . (inaudible interjection) . . . Okay. You're renting out space to research, to business. How much . . . That revenue that you generate, does it cover all of your actual, in-house operating expenses? Does it cover any of the interest on your debt?

Mr. Douglas: — It covers all of our operating costs and our interest, but not our depreciation.

Mr. D'Autremont: — So it's only the depreciation that isn't covered, that the half a million dollars covers the depreciation.

Mr. Douglas: — It's cash-flow positive. I mentioned earlier that it's strongly cash-flow positive.

Mr. D'Autremont: — Okay, why would a business want to set itself up in Innovation Place rather than another complex?

Mr. Douglas: — Primarily because at Innovation Place we provide an environment and specialized infrastructure which attracts them. For example, a big part of what Innovation Place is about is research greenhouses and nobody else provides that kind of facility. They're specialized greenhouses with fairly sophisticated systems for monitoring temperature and environmental conditions and so on. And there simply are no other providers of that.

But it's mostly the environment, the synergy of being with your colleagues. We hear this all the time from our tenants once they

move to the park; that they may have been little bit concerned about sharing some of their research knowledge with their competitors who might be in the park. But at the end of the day they find that the synergies that come from being in an environment like this far outweigh any concerns about that.

So Innovation Place, if I can just make this point because it's a very important one, is not in any significant way a competitor with the private sector property developers. It's a different place and clients want a specialized kind of facility and space there that they are not really able to attain elsewhere. And that's why they come and why they pay the rates that they do, which by the way are above market rates for, you know, say office space compared to other areas in Saskatoon. There is no subsidy in the rates, within the rates.

Mr. D'Autremont: — Okay, well thank you. Well just to reiterate some of my previous comments, I think it'd be worth your while to take a look at a young entrepreneur's program within SOCO. I think it would have some value for young people in this province to gain some experience and get some opportunities for them. And I would hope that you would take a look at that area.

So those are my questions and comments for today.

The Vice-Chair: — Thank you, Mr. D'Autremont.

Ms. Draude: — I just have a couple of more. You'd mentioned a few minutes ago, you said that the \$70,000 for the film *Decoy* was not an accurate figure for money outstanding but they count as current. So that means that there is more money left on it than the 70,000?

Hon. Mr. Lingenfelter: — No, I don't know that. I don't know exactly what the number is. But what I'm being told is that it's current.

Ms. Draude: — When you talked about the approximately half a million dollars that goes in to pay interest, is there any . . . is any of the \$39 million debt going down?

Mr. Douglas: — Going down?

Ms. Draude: — Has the . . . the original debt was around 39.2 or something.

Mr. Douglas: — No actually, because we're growing — Innovation Place — because there's new construction going on.

Ms. Draude: — So there's no actual payment that ever made on it then? On the debt . . . on the capital?

Mr. Douglas: — No, although I don't want to get too technical here, but there's a depreciation reserve that in effect pays down the debt to match this depreciation. But it continues to grow overall because we continue to expand Innovation Place.

Ms. Draude: — The IMAX film dealing with Eastend dinosaur find wasn't completed, wasn't finished. What happened there?

Mr. Douglas: — No, much to our regret actually, because I think — we think — that that would have been a very good project. We decommitted sometime after the original offer of credit based on request from the producer, who had not been able to complete the package.

Ms. Draude: — So was there any money?

Mr. Douglas: — It was never dispersed. It was just decommitted.

Ms. Draude: — Okay. The York Medical half a million dollars, that's actually an equity position; is . . . has there any been . . . any actual job creation numbers because of this project? Any updates on it?

Mr. Douglas: — There are the equivalent to two positions doing research in Saskatoon now related to the clinical trials and testing of devices, and a fair bit more in terms of activity on a contract basis.

Ms. Draude: — Are there any plans to further increase this investment?

Mr. Douglas: — In York Medical? I don't want to speak to this particular investment.

Ms. Draude: — Okay.

Mr. Douglas: — But we do manage our investments on an ongoing basis, but nothing at present.

Hon. Mr. Lingenfelter: — I think what would be fair to say on York Medical, if they came forward with a proposal, we would look at it the same as anyone else would. But there's no new proposal in front of us.

Ms. Draude: — Has the Helms-Burton legislation affected this investment at all?

Mr. Douglas: — Not at all. It doesn't apply.

Hon. Mr. Lingenfelter: — Helms-Burton, as you know, mainly deals with properties, former U.S. (United States) properties. And that's why if you're mining nickel or you're buying property in Cuba, you could run head on into it unless you were very careful with the titles you were dealing with. But when it comes to things like tourism or whether it's intellectual properties, or something in the nature that we're dealing with, it hasn't got application. Helms-Burton mainly deals with former U.S. properties and use . . .

But you will also know that, I think on January 4, President Clinton once again waived, for another six months, the most strident provisions of the Helms-Burton. Which tell you something about why Helms-Burton was on the books, was . . . had a great deal to do with politics and elections last November than it had to do with actual, fundamental issues.

And if you look at how Helms-Burton has come under attack from European countries and Mexico and from the Liberals in

Ottawa, you'll realize that it is causing a great deal of grief or probably more grief for American business people than it is for anyone else in the world.

Ms. Draude: — The \$700,000 that is invested in Temple Gardens Spa, can you tell us what's happening there and if you think you'll see a return on this investment? When you think you'll see a return.

Mr. Douglas: — Well we most definitely expect to see a return on investment. Every indication we have is that Temple Gardens is doing very well and we are very optimistic about that, and beyond that I don't think I can again discuss the intimate details of the arrangements.

Hon. Mr. Lingenfelter: — I think what we can say though is that the attendance in the motel-hotel part of the complex is higher than what they had anticipated, and the general usage is very good. So we're anticipating that not only will we recover the money for the taxpayers but I know they've got about 100 jobs there that have come as a result of this project. So it's very, very positive.

Ms. Draude: — Not too long ago there was a change in position of an employee that used to work with Economic Development and went to SOCO. Is this sort of a normal change that would happen, that you take an employee from department to SOCO?

Mr. Douglas: — Well it wasn't just an employee, it was a function or some developmental functions that we felt made more sense in SOCO and also brought along some expertise to help us manage Innovation Place, which became part of that same division.

Hon. Mr. Lingenfelter: — Okay. Thank you very much.

The Vice-Chair: — Thank you, Minister.

Mr. Johnson: — If we have come to the end of the questioning I would like to move that:

The Crown Corporations Committee conclude its review of the 1994-1995 annual reports of the Saskatchewan Opportunities Corporation.

I so move.

The Vice-Chair: — The motion is quite clear. All in favour? Opposed, if any? That's carried.

Thank you very much, committee. We need a motion to adjourn. Mr. Bjornerud, thank you. We have a motion to adjourn. Committee reconvenes tomorrow at 1:30. Mrs. Teichrob will be reviewing SaskTel.

Thank you.

The committee adjourned at 4:30 p.m.