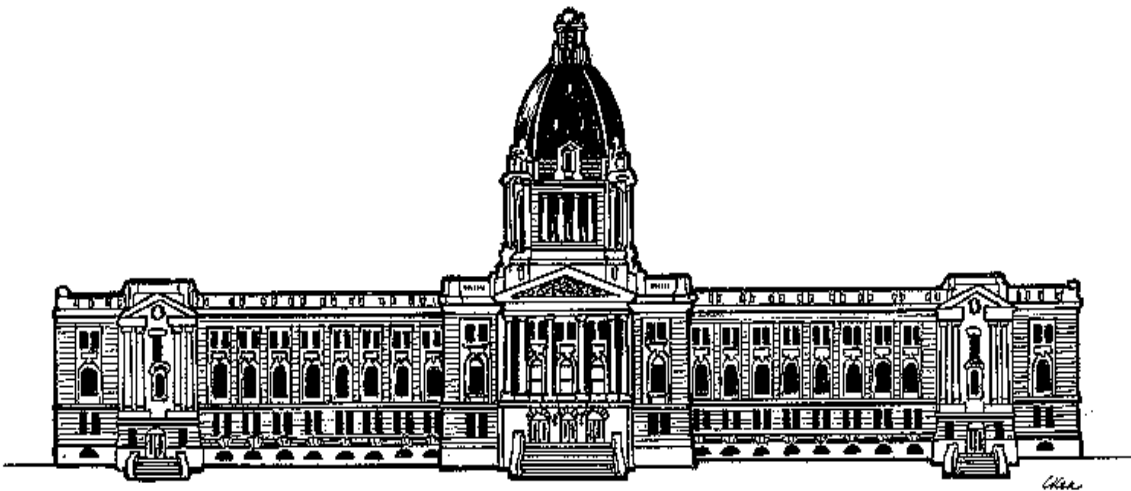




STANDING COMMITTEE ON THE ECONOMY

Hansard Verbatim Report

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Legislative Assembly of Saskatchewan

Twenty-fifth Legislature

**STANDING COMMITTEE ON THE ECONOMY
2004**

Mr. Eldon Lautermilch, Chair
Prince Albert Northcote

Mr. Lyle Stewart, Deputy Chair
Thunder Creek

Mr. Michael Chisholm
Cut Knife-Turtleford

Ms. Doreen Hamilton
Regina Wascana Plains

Hon. Deb Higgins
Moose Jaw Wakamow

Mr. D.F. (Yogi) Huyghebaert
Wood River

Mr. Kevin Yates
Regina Dewdney

The committee met at 15:00.

**General Revenue Fund
Industry and Resources
Vote 23**

Subvote (IR01)

The Chair: — Good afternoon, everyone. We will call the committee to order. And the first item of business on today's agenda is the Department of Industry and Resources. And that's found on page 90 of the Estimates book.

Mr. Minister, would you introduce your officials and we'll continue.

Hon. Mr. Cline: — Yes. Thank you very much, Mr. Chair and good afternoon to the members of the committee.

And with me, I have to my right Mr. Larry Spannier, who is the deputy minister of the Department of Industry and Resources; and to my left is Ms. Lynn Flury, who's the vice-president and director of marketing of Tourism Saskatchewan, which as you know is a partnership between the Government of Saskatchewan and the tourism industry.

Also with us today are Jim Marshall, the assistant deputy minister of resource and economic policy; Bruce Wilson, the assistant deputy minister for petroleum and natural gas; Debbie Wilkie, the assistant deputy minister of industry development; George Patterson, the executive director of the exploration and geological services branch; Denise Haas, the executive director of investment and corporate resources; Hal Sanders, the executive director of revenue and funding services. And I should indicate Bonnie Baird, the manager of research at Tourism Saskatchewan.

And also who will be joining us at the table in a while, Mr. Gerry Adamson, who is the vice-president of STEP, the Saskatchewan Trade and Export Partnership, which is a partnership between the Government of Saskatchewan and industries in Saskatchewan which export goods beyond our borders. Thank you.

The Chair: — Thank you, Mr. Minister. Vote no. (IR01) in the amount \$3,506,000. Is that agreed?

Mr. Wakefield.

Mr. Wakefield: — Thank you, Mr. Chair. Sorry, I was sleeping at the switch here.

Welcome, Mr. Minister, and officials. As we did before, we're going to maybe start off with a couple of general questions, and then maybe get into some more specifics.

One of the items that I think is of real interest in terms of industry and resources, is how the economy is reacting and should be reacting in Saskatchewan to some of the things that have . . . and is going on. And I'm thinking in terms of the signals that are being sent out, primarily in rural areas, because we would surely like to see the objectives that have been stated

earlier about rural revitalization, we'd surely like to see those bear fruit in all areas, but rural particularly.

One of the problems that I see is that there is a continuing — what's the right word? — kind of a picking away at the rural economy. And what I'm thinking of is that even though we want the economy to move ahead, there is things like from the last budget, the farm service centres are being closed in many places, including in my area. There is things like highway maintenance depots being put together or amalgamated into larger centres. Maidstone is an example of one.

There's been a lot of downloading of costs on to the municipal governments, both municipal and education — and now an example, bed closures and jobs in Paradise Hill with the announcement of hospitals. Now I know that's not your area, but it's . . . altogether these things add up to a whole bunch of problems that people in the rural districts are finding overwhelming and are not being able to see any benefits from rural revitalization and the economic development that was promised.

Can you give me some advice to pass along to my constituents in these circumstances?

Hon. Mr. Cline: — Well I can certainly try, Mr. Wakefield. I guess what I would say in terms of signals is that — and especially dealing with rural Saskatchewan; that is any part of Saskatchewan outside the larger centres — one of the signals that we sent out in November 2002 was that we wanted to have a very competitive regime for oil and gas.

And, Mr. Chairman, you'll remember this very well since I believe you were the minister of Energy and Mines at the time. And one of the things that we did was to considerably change our royalty and taxation structure to try to make new drilling more competitive, especially with the province of Alberta.

And what we have seen since then — and I know the committee members will be very pleased to hear this — is record drilling in the oil patch for oil and gas. And that has affected . . . Mr. Wakefield, you referenced your own community of Lloydminster, and I think you'll be aware that much of the drilling goes on in that area. So that's a very positive signal, and it's working.

And I can tell you that for your area in particular, we also announced an ethanol strategy within the last year. And I believe that Husky Oil has announced that they're building an ethanol plant in your constituency which I believe is a \$100 million investment. So I would say that that's a positive signal as well.

And I can tell you that in other areas of the province, we have also announced a package of incentives for mining, and what we see across the province . . . And I can tell you I was in Swift Current last night, and there was a lot of enthusiasm for what's happening in rural Saskatchewan and in the Southwest in the oil patch.

But what we see also as a result of some of the mining initiatives that we're undertaking to encourage exploration and

prospecting is very big increases in exploration in mining areas. Much of that is in rural Saskatchewan such as the Fort à la Corne area where diamond activity is quite prevalent. Much of it is in northern Saskatchewan, and many jobs in the mining sector are done by people that live in rural Saskatchewan. So I would say that what we're doing in mining is also a very positive signal for rural Saskatchewan and I think it bodes well for the future.

In forestry, as well, we have sent out signals over the years that we want to build the forestry sector and we have seen in the last five years \$1 billion new, private sector investment in forestry, mainly of course in the forest belt, mainly in rural Saskatchewan — including two of the largest oriented strand board plants in the world, opening at Meadow Lake and Hudson Bay.

And I actually could go on quite considerably but my point is, Mr. Chair, that I truly believe, answering the question what signals we're sending out, that these are positive signals.

And I fully appreciate that over the course of decades and centuries, economies change, populations shift, and governments and communities that are going to plan well for the future will also change the way that their infrastructure is delivered. We know that we have better roads and highways than we once had and it affects where we have schools, where we have hospitals.

We know that technology for health care is different and people tend to get their surgeries done in larger centres. People make choices. We know that people choose to live in different areas than they did before. And we've seen a shift from some of the rural areas to the urban areas. So I would say we need to build the economy where we can, and we're trying to do that. But it doesn't mean that change can stop; it doesn't mean that all of the public infrastructure can always be the same.

And I think whether in the Department of Learning or Health or Agriculture, they're trying to figure out what is the best way to deliver the services to the most people in the most efficient way.

And so, like the private sector changes, government changes too. And I think most people, when they reflect upon whether over time some of that infrastructure has to change, most people — if they're honest and reasonable about it — will admit that there has to be change. In fact I think even Mr. Gantfoer from the opposition was quoted in the media yesterday as acknowledging that, really you can't always stand in the way of change much as it's difficult for all of us.

But notwithstanding those changes, I do want to say that we're doing everything we can to send out signals to build those industries in our province.

And I mentioned three of our priority areas which are oil and gas — or energy if you will — mining, and forestry, where we're doing a lot of work and making some progress. Our other three strategically priority areas are agrivalue, manufacturing — much of which is done in rural Saskatchewan, and advanced technology.

So, sorry for a long-winded response. But there are so many aspects to the question in terms of signals we're trying to send out to build the economy — not just signals, but substantive activities that we undertake — that I knew that you would want me to answer the question as fully as I could. And I thank you for giving me that opportunity.

Mr. Wakefield: — Thank you, Mr. Minister. You have outlined some pretty major initiatives and there are some things that you referred to that does cause me some concern, however, in my particular area.

Even though the oil and gas industry is really spooling up, we are not seeing the development of service centres head offed on the Saskatchewan side. Lots of service industry vehicles are coming across the border from Alberta and they work there, but they do go back into Alberta to sleep and pay their taxes. That is quite a major concern.

The incentives and royalty programs that you've put in place, again I acknowledge are going in the right direction. But we do, remember, have to be very competitive.

But let me get back to kind of what I was getting at in the first place, when we were talking about rural centres such as — I know this name — I don't know; Neilburg, Cut Knife, Paradise Hill, Pierceland, in those areas that we have to compete against the influence of Alberta.

What are the signals that we're showing them when for instance under investment programs listed in these estimates, the (IR07), where we talked about assistance to business organization, regionally based economic development organizations, and so on, about a 23 per cent drop in the funding in those particular programs — including the regional economic development authority organizations, which I believe we discussed at earlier times as being pretty valuable because you get an input from the actual region where people work and live and can see opportunities. That by my calculation has been reduced about 13 per cent, for instance.

Those are the signals that are troublesome to me, when we see that. And industry development, the (IR03), is down between 4 and 5 per cent.

I know that situations have to be taken in hand and opportunities, I guess, realized by private investment and personal initiative, and that's what we want to encourage. But the reduction has been ongoing, certainly from last year to this year. And that's part of the concern that I have.

Hon. Mr. Cline: — Yes. I appreciate the question. Well I would answer it this way. On the first part of the question, in terms of services being provided for example to the oil patch on the Saskatchewan side that also is a concern that we have.

And I can tell you, as I think you'll know already, the mining sector, which tends to be more headquartered in Saskatchewan and actually very little in Alberta I think, because of that also uses Saskatchewan services — engineering, machining, and so on. And so that's working quite well. And as we encourage mining, it means a lot of indirect jobs in our province.

Oil and gas, the same is true but not to the same extent. Because what tends to happen is we do have more Saskatchewan producers these days, but we have a lot of Alberta producers coming in, which we welcome. And they will often have their engineers and so on in Alberta, so they're using that service. But the good news is . . . actually it's kind of ironic because yesterday just two things happened that impacted on this.

One was I was at a breakfast meeting with the Consulting Engineers of Saskatchewan, who are the private sector engineers, and one of the things they indicated — I don't have the numbers in front of me — but it was something like in the last year they had . . . their numbers had gone up by about 70 — 70 consulting engineers practising in Saskatchewan. And one of the reasons, according to some of the consulting engineers I've spoken to, is they're starting to get more work out of the oil patch, which is good. By the way I'm not saying that it's where it should be, but I'm saying it's going in that direction.

And then last night I was in Swift Current and, of course, there's a lot of gas activity there — 80 per cent of the gas wells being drilled, of which there are a record number, are around Swift Current. And I had the occasion to speak to some people that work in the oil patch providing services to them, and they said that actually they're very, very busy and they're getting a lot of work out of the oil patch, the oil companies that come in.

And the other thing we need to acknowledge is that some of the Alberta companies are setting up field offices in places like Estevan, where they're employing people to work in the oil patch. Because when they're here a great deal — and some of the companies now are operating more in Saskatchewan than Alberta — it becomes more attractive for them to employ Saskatchewan people because the people are here and it's easier to get them. They're not as transient; they don't have to put them up in hotels, and so on.

So some of that is happening, but let's agree that what we want to do is do more of that. And one of the things that we want to do in our department is to identify the 10 largest oil and gas drillers in Saskatchewan and then find out actually what exactly is going on in terms of employing Saskatchewan people because that's what we want as well. So we're moving in that direction. We're not totally there yet.

The second part of your question has to do with, I think really you were saying, well some of the things we're doing in government, we're spending less money in government to develop business, promote business. And to some extent that's true. I would say — and you alluded to this in your question — I would say it's not the major consideration for us in the sense that, yes, you'll find in our budget that in some areas we might be spending, you know, a few hundred thousand dollars less on some business promotion activity.

But to me and to our government the real question is, what is the overall level of investment we have in the province. And I'm much more concerned about the fact that in the oil and gas sector alone we have now got \$1.9 billion — with a B — investment per year developing the oil and gas industry in Saskatchewan and it employees about 24,000 people.

And so our priorities are not so much . . . Not that we're doing

away with them; some things we're enhancing. I'll get to that in a moment. But our priorities are not so much to spend money within government on grants to business, that kind of thing, but to try to create an environment in which business can succeed.

And so, in the oil and gas side — just using that as an example — we see record drilling. We see the investment of \$1.9 billion a year. We see a lot of activity in forestry and mining, as I said. And so, to our way of thinking, if we encourage those things and get the private sector to grow those parts of the economy and that provide the jobs, it's much more important than us spending taxpayers' money on business promotion.

Having said that, I don't want to suggest that we've abandoned that altogether. Because one of the things we're doing in the budget, for example, is to increase the amount of money that small business loans associations can lend very small businesses — from \$10,000 to \$15,000 — and also to extend the pools of capital that are available to them so that they can lend to more people. And that's been a successive program, as I know all of the members know.

And we're going to be also extending that to young entrepreneurs in particular — people between the ages of, I think it's 18 and 30 — to try to get them involved in very small businesses because you're talking about really small seed money. And there is some other things we do through the REDAs (regional economic development authority).

So I acknowledge that some of the government spending we've cut back because health and education were the priorities in the budget. But in terms of the overall policies, we're trying to create an environment whereby we can have the really big investment that we think, in the long run, will build the economy of the province more so. Thank you.

The Chair: — Thank you. Mr. Merriman.

Mr. Merriman: — Thank you, Mr. Minister. I attended a conference yesterday with the Consulting Engineers of Saskatchewan which you had referred to. And some of the concerns they had was that the market in Saskatchewan is \$250 million. And there are actually 49 companies, not 70. And of that 250 million, 175 million of that . . . or pardon me, 170 million is done by engineers outside of the province. And a lot of these or most of these are Saskatchewan projects and some are government projects.

In their data that I'm reading from, they feel that that \$170 million they've done within the province could create 1,700 direct jobs. And your reference to the oil and gas sector with these, that's a field that they're not doing well in. And the reason that they gave to me — and it's certainly here in their presentation — was that most of the work is done out of the head offices in Calgary for oil and gas exploration here in the province. So I just wanted to take the opportunity to bring that to light.

Hon. Mr. Cline: — Yes. Well, thank you. I appreciate that. I think you may have misheard me, Mr. Merriman. I did not say there were 70 companies in Saskatchewan. I said there were 70, approximately, more consulting engineers in Saskatchewan this year than last year. They're organized into various companies.

But what we've seen is some of the companies growing quite a bit in Saskatchewan.

I also said that you're correct that one of the issues we have is that the Alberta-based companies often have their own engineers in their Calgary offices and so we have an issue to turn around. And I indicated that we're working on turning around that issue and we want to do so and that some progress is being made. But we have a ways to go.

So we're still . . . I think I indicated in my previous answer that we want to identify the 10 largest drillers for oil and gas in Saskatchewan and then sort of do an inventory of how much Saskatchewan contracting we're getting and what we're not getting, and to see how we can work with industry in both the engineering industry and the oil and gas industry to improve that.

So we're basically agreed that we want to increase the amount of engineering work that is done in our province. It has been going up but it needs to go up some more. So we're quite prepared to work with you and the profession and also business to try to do that, because we all have the same goal. And I think we've made some progress but we need to make more progress. So I'm agreed with you in that regard.

Mr. Merriman: — Thank you, Mr. Minister. We'll certainly concede on the last point.

I'm going to go on to tourism. But just prior to going there, in the last session that we had I had asked just a few questions at the end and there was material coming forward to me on that subject matter. And I was just wondering . . . I understand that goes through the Chair and then back. I was just wondering, would that be coming forward shortly or should I return to that subject matter?

Hon. Mr. Cline: — Can you refresh my memory, Mr. Merriman, what the subject matter of the material was?

Mr. Merriman: — It was in *Hansard* and it was regarding the 1,160 responses we had to the Future is Wide Open issue. You were going to get back on the number of how many of those opportunities have been closed, moved here, or proceeded with the opportunity to do investment in the province. It's just a question of when could I expect it? I don't need it right now. Can I assume I'll have it within a week, or should I proceed back to that subject?

Hon. Mr. Cline: — Yes, Mr. Chair, we could have that information for Mr. Merriman in approximately one week's time, toward the end of next week if that's appropriate.

The Chair: — Thank you.

Mr. Merriman: — Thank you very much, Mr. Minister. I'd like now to turn to tourism, and I think tourism is a very strategic part of our economic opportunities within this province. I recall seeing a vehicle in Saskatoon that had on the side of it The Jewel of the North, and I thought that that was a very appropriate saying not only for his business but probably for the tourism opportunities within Saskatchewan. And I would just like to get some further information and go down a few

channels on this.

Just in some general questions, where does Saskatchewan rank or stack with other provinces in terms of attracting out-of-province visitors or international visitors?

Hon. Mr. Cline: — I'm advised that we know that Canada is about \$55 billion in tourism and Saskatchewan is about \$1.4 billion. We don't have with us today the numbers for the other provinces. However we could get you that information next week, and then we'd be able to answer completely.

Mr. Merriman: — Okay a follow-up question to that then would be, you know, the trend lines in those numbers as to have we been . . . Are we going up, are we static, or . . .

Hon. Mr. Cline: — Yes. The information we have with us is that from 1992 to 2002 there was an increase of 71.3 per cent or on average, an increase of 6.5 per cent per year. And the majority of the increase has been from the United States which went from \$42 million in 1992 to \$143 million in 2004. But I see that the first figure was 1.4 billion in 2002.

So generally speaking we've been going up 6.5 per cent per year, and I think it's fair to say the rate of economic growth during those years '92 to 2002 was lower than that, so that the rate of tourism growth would have been faster than economic growth. However tourism is a priority for growth so if we could see growth faster than that, that would be good too.

I can tell you that in the last year I believe tourism spending in Saskatchewan went down by about 1.5 to 2 per cent. Across Canada, it went down by 6 per cent. What happened was . . . Well it's largely attributed to the SARS (severe acute respiratory syndrome) breakout in Toronto which seemed . . . Well, which put a chill on tourism to all parts of the country.

And some of it may also be attributable to the Canadian dollar being stronger versus the US (United States) dollar. And finally there's a suggestion that some of it may be attributable to the Iraq war situation, that there was a difference of opinion between Canada and the United States.

So all of those factors, probably primarily SARS, in the last year saw tourism in Canada down by 6 per cent, and in Saskatchewan down by between 1.5 and 2 per cent. So we've been making progress over the years, but we've hit a snag this year as has the rest of the country but actually more so. And as you will know, places like Banff and major tourist destinations over the last while really were suffering and we got a bit of that although not as much.

Mr. Merriman: — I agree, Mr. Minister, the difference is in some markets with a down-cycle they, you know they have a large enough market to absorb it, whereas in our case the impact is more. I think our numbers are down in reasonable proportions to the rest of Canada. And based on that we held some major significant events here such as the Grey Cup and other events would certainly help to boost it.

I know SARS was an issue certainly in the Ontario market, which brings me to my next question. Based on that we had last year the largest number of cases of West Nile, do we see that

going to impact us dramatically — one — and two, are we prepared to put additional funds into this to lower the potential risk of downslide again in tourism?

Hon. Mr. Cline: — Mr. Chair, yes, I could've added to the list of things that may have been negative on tourism in Saskatchewan, to the SARS, Canadian dollar, and Iraq, to some extent West Nile as well. And that probably would've been a factor.

In terms of the West Nile situation, Mr. Chair, when Mr. Merriman asks if we're spending money to combat, I should just get clarification, does he mean through Tourism Saskatchewan or does he mean through the Department of Health and the health regions?

Mr. Merriman: — Well being that we're all one government, if we're projecting to have our tourism industry down, I would assume you are consulting with the Department of Health to ask for increased funding or spraying of municipalities or whatever, in order to decrease or in effect give some comfort level to the tourists coming here.

I didn't expect that it came out of the tourism budget, but I would certainly hope that Tourism Saskatchewan is bringing it forward to make sure that it's dealt with and . . . I mean I can take this question to the other committee, but I would assume you would have an answer on it.

Hon. Mr. Cline: — Yes, well I appreciate that. In terms of what Tourism Saskatchewan intends to do, Tourism Saskatchewan intends to have information on the tourism Web sites, anybody that would try to access information about visiting Saskatchewan, to educate people about the danger of West Nile virus and the steps that they should take to protect themselves.

In terms of the wider strategy, which there is one through the Department of Health — and they will be spraying and taking measures to work with municipalities to combat West Nile virus — it is, as you will know, Mr. Merriman, in the process of estimates, if they're spending in another department, we're pretty much required to refer that question to that committee.

So in terms of the specifics of what Health is doing — and I know they have a plan — I would defer to Mr. Nilson. But I know that he would be happy to go into that further at the estimates on Health.

Mr. Merriman: — Appreciate your answer, Mr. Minister. But because it affects this particular area so well, I thought that, you know, we would have an indication of that.

We're doing education on our Web site. Have we . . . Tourism is a flighty thing. Most people are booking their summer vacations in the winter and vice versa, because probably our largest tourism sector is in our very short summer. Have we put out or disseminated information out to groups, travel agencies, so on, that we are combating that — which comes back to my original question — which would lead one to want to say that Saskatchewan is tripling its dollars for the fighting of West Nile to give people some type of comfort level in this area?

Hon. Mr. Cline: — I'm advised that we normally would not put information out to organizations like that, in the sense that . . . We would respond to inquires about West Nile, but not necessarily profile the issue. We are not the only jurisdiction dealing with West Nile virus. And so, I think it's fair to say that the tourism people largely leave it to the health and municipal officials to take steps to combat West Nile virus.

But what I am advised is that we would have some information available for people who inquire as to precautions that they might take to protect themselves from West Nile virus.

Mr. Merriman: — Thank you, Mr. Minister, I'll get off that subject with one brief comment that, certainly as an observer, I have read and heard information that Manitoba is, like, doubling or tripling their revenue stream to that particular issue. And I just thought news releases of those types would soften people.

In your view, what are the particular things holding Saskatchewan back in terms of attracting additional out-of-province visits to Saskatchewan? Would you put it in transportation, infrastructure, perception, lack of awareness?

Hon. Mr. Cline: — Well first of all, we would want to acknowledge that tourism has been in fact expanding in the province, up, you know, about 70 per cent over 1992, for example. But in terms of the question, why doesn't it grow faster than it has been, we think that the main issue would be lack of awareness on the part of the public outside Saskatchewan as to what Saskatchewan has to offer. So that's something that Tourism Saskatchewan has been trying to combat. And to some extent I think the Wide Open Future campaign tries to combat that as well.

And another problem that we would have in the area of transportation is air access to Saskatchewan. We have some flights coming in — well obviously we have daily flights from various parts of Canada . . .

Mr. Merriman: — But they're not going out?

Hon. Mr. Cline: — Oh they're going out too. But we would like to get more flights coming in and I guess if they have to go out, going out as well.

Mr. Merriman: — Thank you, Mr. Minister. I know that you do direct marketing, and some of these questions may seem unknowledgeable, but I'm just trying to grasp a little better understanding of it. What direct marketing is Tourism Saskatchewan involved in, and in particular what places are we concentrating our efforts?

Hon. Mr. Cline: — Mr. Chair, primarily our marketing efforts are firstly directed at Manitoba and Alberta, then the rest of Canada, and then the United States, and then to a lesser extent some European markets.

And of course we have to remember that Saskatchewan residents travelling within the province themselves account for a large portion of visitor expenditures — I think about 43.5 per cent. And so some of the marketing obviously is directed to Saskatchewan people to encourage them to spend their tourism

dollars here.

So there's the Alberta and Manitoba audience, the rest of Canada, the United States, and then to a limited extent some European audiences.

Mr. Merriman: — Thank you. I noticed a very nice brochure that I received — I think that it came last weekend — which is an excellent piece of work. What was the distribution on this material?

Hon. Mr. Cline: — Mr. Chair, I have this information: 250,000 copies to Alberta, 175,000 in Saskatchewan, 95,000 in Manitoba, and 100,000 in the United States.

Mr. Merriman: — Just focusing on the Saskatchewan one for a second, was that distributed just by method of newspaper or did we have other methodologies of getting it out?

Hon. Mr. Cline: — It is all through newspapers in Saskatchewan, and in particular the Saskatoon *StarPhoenix*, Regina *Leader-Post*, *Prince Albert Daily Herald*, Moose Jaw *Times-Herald*, one of the papers in Yorkton — and I don't have the name in front of me — and perhaps one other newspaper. But to answer the question, it was all with newspapers.

Mr. Merriman: — Is there a methodology that we're going to try to get this also out to rural Saskatchewan, as I would assume a lot of those people would be high travellers, coming into the cities or taking vacations also?

Hon. Mr. Cline: — Yes, there would be an effort to do that but it would be by distributing them through the visitors centres. That could be Tourism Saskatchewan visitors centres or local tourism authorities or community tourism centres. In other words, the brochure is available for distribution throughout the province, and people that were visiting a community — a smaller town, say, that had a tourist information centre — we would want them to have that brochure available to them.

Mr. Merriman: — Thank you, Mr. Minister. I'm not trying to be critical on it. But you know one way of distribution to get this out may also be through the schools, which is an inexpensive route of getting it to the homes in the rural Saskatchewan. It's, as I say, it's a great brochure. You should be proud of it.

And one of the questions I do have though, is I'd like to know where this was printed.

Hon. Mr. Cline: — I'm advised that it was printed by PrintWest in Saskatoon.

Mr. Merriman: — Perfect.

Hon. Mr. Cline: — Which I believe may even be in . . .

Mr. Merriman: — My riding.

Hon. Mr. Cline: — . . . Mr. Merriman's constituency.

Mr. Merriman: — Absolutely. That's why I asked the question. Thank you very much. I can go on to a new subject,

thank you. I thought I was going to get buried in that one.

In your annual report, we've set a goal of 1.5 billion in visitor spending in 2005, which based on historical trends looks realistic. But what impact will we have with the Canada Summer Games here next year? Are we taking that into account as a . . . should be an upswing year based on that coming here?

And I'll give you a subsequent question so that I'm not trying to . . . My next question would be: if we have an upswing and we do have an increase in tourism dollars, are we going to try to keep some of those dollars within tourism to, you know, continue on and expand some of the things that we're doing or is it just going into never-never land?

Hon. Mr. Cline: — Yes. To answer the question, Mr. Chair, there certainly is an impact of something like the Canada Games, which we can't quantify by giving you a figure. But it would be a positive impact.

In terms of the question of, you know, if revenue from tourism increases, then would the budget for Tourism Saskatchewan increase, I would certainly hope so. But it would be part of the general budget-making exercise. And one of the things that we're going to be trying to do, besides the budget for Tourism Saskatchewan, there may be other opportunities where government could work with Tourism Saskatchewan to increase the amount of marketing we're doing.

So I can't make any commitment, you know, for next year or the year after to increase the budget for Tourism Saskatchewan. But I would say, Mr. Chair, to Mr. Merriman, that if we have better fiscal circumstances next year and the year after than we have had this year, for example, although we retained the funding for Tourism Saskatchewan, it would be a priority for us to spend more money on marketing because we know that that is a major part of attracting tourists.

I do want to point out that in this year's budget, I believe the budget for our Department of Industry and Resources was reduced by about 10 per cent. But we did not pass any reduction on to Tourism Saskatchewan just because we think the marketing aspect of it is very important.

So I'd like to see more money spent on marketing in the future and would work to do that. But of course, it's always subject to all the other demands on the public purse. But if we do better and we have more flexibility, then we certainly would want to do that if we could.

Mr. Merriman: — Thank you, Mr. Minister. That was the reason for my question. I mean, this is obviously a growth opportunity for this province. I refer back to my opening comments of the Jewel of the North and yet we have a static budget in this department. You know, we should be looking at huge projected growths in this area and be supporting it, as said.

One of the things that I've noticed is that for many years, you know our Canadian dollar's been low compared to US dollars and yet it doesn't seem to me that we're making a concentrated effort to sell Saskatchewan to the people in the border states to come here shopping. I mean, when we go down to the malls on a Saturday and Sunday, we should be seeing these filled with

North Dakota, South Dakota — wherever — Montana licence plates coming here to buy products and services with a 71-cent, 72-cent dollar.

And I certainly know from my time living in Regina, we get inundated with material from Minot to go there shopping for sales and specials where hotels had, you know, compound deals for the weekend and dollar at par and all these types of things. And I just want to ask the question: is this a market that we're concentrating on on a year-round basis or is this just a one hit with a brochure-type market?

Hon. Mr. Cline: — Well it's a very good question. I mean, there are aspects of the question that are certainly related to the retail sector. I mean, if I understood the question, it's really, can the low Canadian dollar be used as a hook to get shoppers in? And then therefore, of course, you increase tourism dollars in other ways as well. And it's a very good question.

There are of course always limits to what people can purchase, you know, in Canada or the US and take across the border without paying duty. So there are going to be some issues in that regard. But nevertheless you may . . . Mr. Chair, Mr. Merriman may be quite right that maybe we're not doing everything that we should be doing.

Part of what we should be doing, if there are opportunities, it would seem to me, is talking to the retail sector. That is, you know, if you take Estevan, Weyburn, Regina as examples, because they're the closest — Moose Jaw, Swift Current, we should be asking the retail sector whether they've considered some kind of marketing strategy whereby we do what apparently Minot used to do to you when you lived in Regina.

And I don't know if we've pursued that, but you know I think it's a very good suggestion. And I'd be quite pleased to ask the people at Tourism Saskatchewan and my own Department of Industry and Resources maybe to have a sit-down with the retailers and see if there's any way that we should be, or have been, co-operating to do some kind of flyers in some places like Minot would be one example, and there are others, to see if we could entice some people up here with their shopping dollars.

So I agree with you that that might be a very good thing to do, and I'd like to investigate it further.

Mr. Merriman: — Thank you, Mr. Minister. I would also ask you to include the hotels associations in with those discussions so that you can try and put a package deal around hotels, so on and so forth.

I'd like to get — switching channels here a little bit and talk about what are the top attractions for our visitors to our province. What are the things that are bringing people here?

Hon. Mr. Cline: — The number one tourism draw would be fishing and hunting. But having said that, it accounts for 10 per cent. So 90 per cent of the other tourism dollars would be spread over many, many different activities because if the largest one is 10 per cent, you can see that the other ones are smaller. And basically it's a variety of things.

There's what the tourism industry considers the outdoor

product, that is the wide open spaces — the ability to, you know, look at the horizon, the parks, the lakes, the camping. Also cultural activities, things like, oh, fringe festivals, Shakespeare on the Saskatchewan in Saskatoon, the music festivals we have in Regina and other places. And exploring the wilderness of the North. All of those things are attractive.

But I think if you talk to Tourism Saskatchewan, they, in general terms they consider that Saskatchewan being a natural place with wide open spaces — they call it the sense of space — is what will appeal to people, not only people from Saskatchewan but people from outside. And even though people enjoy being in our larger urban centres, the selling features of Saskatchewan are our many lakes and other beautiful, natural, physical surroundings that we have.

Mr. Merriman: — Thank you. I don't disagree with anything you said, Mr. Minister, except, you know, the wide open spaces certainly are very prevalent in Manitoba, one of our largest marketing areas. But I do agree with you that those are the things that will bring people here.

When we talk about our wide open spaces and our outdoor activities, we're talking also about our provincial parks, which must rank fairly high. Do we anticipate that the deep cuts we're making — 20 per cent deep cuts to funding in those parks — is going to affect tourism this year or subsequent years?

Hon. Mr. Cline: — Well I think that one thing to bear in mind is that some of the park fee increases with which you're familiar go toward improving the provincial parks as well. So no, we don't anticipate that any cuts to the parks will decrease use of the parks or tourism. We think that the parks will, you know, be successful and be well used. We think the parks are quite affordable relative to other jurisdictions.

And one of the things we've been doing over the last number of years is trying to improve the parks through the Centenary Fund where some park improvements have taken place. And some of the fees that are paid for the use of parks go into a revolving fund, I believe, which is used to maintain and improve the parks as well.

So we think that even though it's never popular to make changes in terms of the cost of using the parks or otherwise, that there is a plan in place to keep the parks sustainable in the long term, and you know, realistically we think that if we don't have reasonable fees that are going to pay the cost of maintaining and . . . maintaining the parks and improving them, then in the long run we'll be in trouble because we just won't be doing the work that will keep people wanting to go there.

So we don't see the parks situation as being a bad one. Having said that, I think the tourism industry was certainly concerned about the government's initial response after the budget, that the parks would not . . . Or some parks I should say, some minority parks would not be open on the long weekend. And that was a real concern and the government had to admit that that was not a good idea and make a change, so that was done.

Mr. Merriman: — Thank you, Mr. Minister. I wasn't going there but it was nice of you to go there.

The question and concern I have is that, you know in a long-term strategic plan I think we all agree that tourism is an opportunity for this province that we haven't tapped into in any way to its fullest extent. And yet while we're . . . (inaudible) . . . budgets on the whole marketing concept of increasing opportunities for people to have business related to tourism, we're doing cuts in parks that . . . I was quite concerned of the long-term effect that this has to the growth of this industry.

One of the ones that you didn't mention that I had on my list and I just wanted to question as to its significance, are casinos.

Hon. Mr. Cline: — There's no question, Mr. Chair, that from the point of view of tourism, casinos are a valuable asset in terms of attracting tourism spending. Some of it is people from Saskatchewan of course travelling to spend money in casinos; some of it is people from nearby. Certainly I think if you go to the casinos in Regina or Moose Jaw, you will see vehicles in the parking lots with United States licence plates on them. And so they're undoubtedly, I think, Mr. Chair, to Mr. Merriman, they are undoubtedly valuable assets from a tourism point of view.

Mr. Merriman: — Thank you, Mr. Minister. There is an opportunity within the riding in Saskatoon for another casino — which is on the White Cap Dakota — which I think is a large opportunity for economic tourism in that area. It's a \$35 million opportunity that could employ some 650 people. And yet, we're still waiting to see if this is going to be approved. And this is just part of . . . one part of an aspect of a quarter there of economic opportunity, all the way down to . . . right down to Elbow.

You know, we have an opportunity here to create an economic venture with a \$35 million facility, which would be probably the largest rural development in that area since the Gardner dam. You know and this being tourist time, what is taking the time on this that we can't get this project underway?

Hon. Mr. Cline: — Mr. Chair, to Mr. Merriman, there are three factors. The first is we received a business plan from the Saskatoon Tribal Council, I believe is the proponent and we have been . . . and that was last fall. But we've been going through a process of evaluation of that plan and that is . . . the evaluation is done by the officials at the Liquor and Gaming Authority.

And they had been asking for further information which they've received from the tribal council and SIGA (Saskatchewan Indian Gaming Authority) and that last information came on February 17 of this year, I believe. And since then, they've been evaluating the proposal and they hope to make a recommendation to me, in my capacity as minister responsible for liquor and gaming, sometime in the next six to eight weeks. And that evaluation is not complete.

But I have to say as well that there have been other considerations. One is that we have a casino in Saskatoon now which is located at the Prairieland Exhibition and if we approve the casino at White Cap, we believe — I don't know this, but I'm guessing — that you probably would not have a casino at Prairieland; in the same way that the Regina Exhibition casino really had to shut down when Casino Regina opened and the same in Moose Jaw. And so one of the factors is how do we

compensate the Prairieland Exhibition if there's another casino in the Saskatoon market. And that has not been resolved.

Another issue which has delayed this matter has been that there have been problems in terms of spending irregularities around casino gaming in Saskatchewan, and we have been trying to work with the Provincial Auditor and SIGA and the FSIN (Federation of Saskatchewan Indian Nations) to resolve those difficulties. And I think they can be resolved.

But you can understand that one of the issues that we've had is if there are ongoing problems in terms of some of the spending practices at casinos that have been identified in the Provincial Auditor's report, the question is should we approve casino expansion before systems are in place to resolve those problems.

And my view, which I've stated publicly many times and also met with SIGA and the FSIN and the Dakota First Nation and the Saskatoon Tribal Council, is that it doesn't make any sense to expand casino gaming until I can say to the public, and we have put processes in place to deal with the concerns of the Provincial Auditor. I believe that we can make progress to resolve those concerns but I would say that those concerns do have to be resolved before we have further casino expansion.

Having said that we're doing everything we can and accepting the proposal for the casino in a very open-minded fashion. But before we make a decision we want the accountability issues to be addressed, and certainly those have been major issues raised by the Saskatchewan Party in the legislature. And we certainly respect the concerns that the Saskatchewan Party has expressed, and we have some concerns as well. And we're concerned about Prairieland Exhibition.

So those are the things that have held it up. But having said that, we're going to have to make a decision and I would expect that that decision should be made over the next several weeks. I wouldn't guarantee it by the end of June but I would hope to have a decision by sometime in the summer.

Mr. Merriman: — Well thank you, Mr. Speaker. We seem to . . . we approved another . . . Mr. Minister . . . (inaudible) . . . since that one was done in Moose Jaw. There's a corridor that runs down Highway 219 that has a phenomenal opportunity for tourism. That highway is in need of major repair.

I've driven to Elbow several times for golfing or golf tournaments, and one of the things that upsets me, not knowing directions well, is you know we don't even have a sign on the highway to show where these things are. I mean this is not a major expense.

People travelling on those highways to go to Lake Diefenbaker, a phenomenal facility for boating, you know they're pulling 30, \$40,000 boats over roads that are . . . (inaudible) . . . We need to also be working with infrastructure side to repair some of these facilities. Why have a great tourist attraction and not publicize it?

Hon. Mr. Cline: — Well I think that's a very fair point. And I actually wasn't aware of Mr. Merriman's problem with directions, Mr. Chair. But now that I've heard about it, and also

his golfing prowess at Elbow, seriously I think Mr. Merriman has a very fair point.

And my question would be, if along that corridor we're not properly identifying these facilities through signage, then I think we have to have a look at that. And I will certainly ask the officials to look into that and perhaps see what we can do in terms of working with the local people to increase the signing.

Because I think the question, Mr. Chair, was quite correct — that if we have these places, we need to tell people how to get there. And perhaps if we had good signs, some people that never intended to go there might just decide to drive over there once they see the sign.

So I'll undertake to look into it further and to bring that to the attention of the tourism people, and perhaps the tourism region for that area as well.

Mr. Merriman: — Thank you, Mr. Minister. You know, tourism . . . And I appreciate some of these go over lines in departments but it all belongs to the province of Saskatchewan. One other question at Dakota Dunes, if you will, on the golf side. You know, we need to reduce the friction and red tape in order to promote tourism.

I was out there to an opening about two weeks ago. You know, they didn't have their liquor licence for their clubhouse. They'd been waiting since January. It's a \$7 million investment. They've got hundreds of people in the parking lot. And the terminology is, we can't serve a drink because the government won't give us a permit.

And I appreciate that there's issues inside that, but somebody has to take responsibility to deliver these things in a timely fashion understanding the impact it has on tourism and our opportunity to grow that industry.

Hon. Mr. Cline: — Well, Mr. Chair, I don't disagree with that. But I will say that, you know, as minister in charge of Liquor and Gaming, this is the very first time that anyone has raised with me any concern about getting a liquor licence at Whitecap. By which I mean, I have met with Whitecap on numerous occasions — it has never been raised. I'm not suggesting that it isn't an issue or that they . . . obviously they don't have their licence. I'm simply saying, if there was something that government was supposed to do I would have expected that someone would bring this to my attention.

And I will say that when these matters are brought to my attention — and I have met with these proponents many times — my practice is to talk to the officials and see what the problem is. And I will certainly undertake to talk to the officials and see what the problem is. It may be the problem of the officials. It may be the problem of the proponents — I don't know. But I'll be very happy to look into it. And as I say, it's the first time anybody's ever brought it to my attention.

Mr. Merriman: — I appreciate that, Mr. Minister. And wherever the problem in delay lies, we all have to understand whether . . . I mean we shouldn't have to bring everything to your level to be resolved either.

But at some point in time everybody has to understand that to grow the province, grow the economy, and to expand tourism — again I repeat which is probably vastly underutilized and we'd all like to see it quadruple — these types of nuances, pains, you know, should be things that people are jumping on and making happen. If it has to accelerate to your level, you know, that to me becomes an issue, but it's your department to be concerned. We should be doing everything we can within the confines of the rules to help our tourist people be ready and promote their material.

And I'd just summarize and then I'm finished. I would like to thank you and certainly your official. I think that overall, you know, tourism in this province is well-received. I think we can expand upon it dramatically. I think that the government has to look at it as an economic opportunity far more than it does. Certainly in the budgeting case on a status quo when we have an opportunity to create jobs — wealth — we should be addressing that. And thank you for your time.

Hon. Mr. Cline: — Well thank you. I'd like to thank Ms. Flury for joining us and I'd like to thank the members of the opposition for their questions, Mr. Chair.

Mr. Merriman: — I don't think Mr. Wakefield's finished; I said I was finished — sorry.

The Chair: — Sorry, Mr. Minister.

Hon. Mr. Cline: — Well, I'll thank them for the questions they've asked so far.

The Chair: — Mr. Wakefield.

Mr. Wakefield: — Thank you, Mr. Chair, and Mr. Minister. I just have maybe one comment that I would like maybe clarification, then I'd like to proceed to some questions on STEP, if we could.

I listened to your response from Mr. Merriman about the opportunity may be lost; we don't know about the West Nile virus; and also the . . . talked about the infrastructure going to help Elbow and that area. And it seems to me that everything is in these compartments and you're not very comfortable in trying to share across these different departmental lines to try and achieve what Mr. Merriman was trying to get to and that's trying to make government work better for the bigger picture.

And I guess it came to me in spades this morning, and it kind of broke my heart when I heard this. It was a radio advertisement from something, from some organization and I know the organization. It's Baker Lake Lodge.

They were advertising in Saskatchewan for coming to Manitoba to do fishing and fly-in, and it's a very promotional ad on the radio station here. Now the owner of that organization is Rod and Peggy Baynton and their son, Brent, from Lloydminster. And we struggled mightily in the last year or two to have Mr. Baynton and his family invest almost \$5 million into a proposed fishing lodge or a all-season facility here in Saskatchewan, and we ran into many, many roadblocks to the point where Mr. Baynton says, I'm selling out of Lloydminster and I'm going to Manitoba.

And now we're getting advertising directed back to us to go to Manitoba and it was because there was no coordinated response to his plea to, can I make this thing happen. And that's a comment that I wanted to make before we got off the tourist part of the questioning and there's really . . . it's just a comment that I think has to be put on the record.

Hon. Mr. Cline: — Okay. Well I do want to say, Mr. Chair, that one of the important roles that the Department of Industry and Resources plays, and they do it you know on a daily basis, is to try to play a coordinating role, that is, if somebody has a suggestion for economic development. We sometimes have liquor licensing issues, as we've heard. There could be highways issues; there could be taxation issues.

And so one of the things we need to do sometimes is, somebody comes along and they've got a proposal to build something and we may have to talk to the Department of Highways about how we are going to get road access. We may have to talk to the Department of Finance about the taxation system just doesn't quite work for this industry, and so on. So I just want the committee to know that that's a very important priority for our department.

And I'm not familiar with the situation with the development that Mr. Wakefield is talking about, but I do want to say that . . . And if there's any way that we could assist in that kind of situation, we would certainly want to try.

But I do want to say that there have been developments that have been huge investments in Saskatchewan for tourism. I mean one can think of the Elk Ridge golf place with the golf course and condominiums just south of the Prince Albert National Park, which is a huge, multi-million dollar investment. And I know that our department worked with the proponents to resolve various issues in highways, safe turning, and so on. And I suspect you know, there must have been a liquor licensing issue there as well.

And it goes back to what Mr. Merriman was saying a few minutes ago, that you want these things to go ahead. Certainly there are always rules and society expects there to be rules about everything really — whether rules of the road, rules of drinking, rules of when you should have gambling, and so on. And we have to operate within those rules as well.

But if the point is that, you know, we need to play a coordinating function, we certainly try. And I would say that we want . . . If there are roadblocks are put in place of development that don't make sense, we want those to be brought to our attention so that we can try to get those roadblocks removed, and often we're successful. Now sometimes we're not successful; we can't do things to the satisfaction of the investor and so they go somewhere else. But often we are successful and so . . . But I agree with the point that we need to be as co-operative as we can.

Mr. Wakefield: — Thank you, Mr. Minister. And I would like to ask maybe a couple of questions about the Saskatchewan Trade and Export Partnership program, if I could. The material that I have in front of me is the, mainly the annual report for 2002-2003. Is there a more current edition of an annual report? I don't believe there is.

Hon. Mr. Cline: — No, it's not ready yet; they are just in the process of drafting it.

And I should say, Mr. Chair, to the committee members, this is Gerry Adamson, who is the vice-president of STEP, has joined us.

Mr. Wakefield: — Thank you, Mr. Minister, and welcome, Mr. Adamson. From the report that I talked about, the annual report 2002-2003, there was a listing of 15 directors. And from the Web site I have I think the most recent change, which I think now is 14. Has there been a change in the numbers of directors or is it some aren't completely filled? Or how is that?

Hon. Mr. Cline: — Yes, one of the directors was Mr. Brent Cotter, who was a deputy minister. I'm not sure if he still has that status, but he is becoming the dean of law at the law school in Saskatoon, so he has stepped down from his position as a director of STEP. And that position simply has not been filled.

Mr. Wakefield: — I wanted to, I guess publicly, congratulate Keith Brown as the new chairman. And I'm sure he's going to perform a very valuable role on behalf of the board of directors and for STEP as well, very involved in the operations of both the STEP organization and exporting . . . manufacturing and exporting out of Canada.

Is there a certain requirement in the, I guess in the charter or the statutes that set up STEP, that there had to be so many people representing the government of Saskatchewan one way or another?

Hon. Mr. Cline: — I'm advised by the officials they do not believe there is anything necessarily in the charter or other incorporating documents, but that the board of directors decided at some point that 15 was an appropriate number of directors and that three was an appropriate number for the government to appoint and the rest would come really, elected by the industry members of STEP.

I just want to add, Mr. Chair, that I certainly agree with Mr. Wakefield's comments about Keith Brown and I'm sure he'll do a very good job. He certainly is an innovative and progressive business person in Saskatchewan with a very good product that he's a leader in, I think, all over North America, in terms of trailers that are used to transport other vehicles. So it's three, and that has pretty much been decided by the board, is the information I have.

Mr. Wakefield: — Thank you. And the Chair of the board. Is that from an internal nomination and voting process or is that appointed position by the — somebody.

Hon. Mr. Cline: — The Chair is elected by the board. It's one of those organizations where the annual meeting will sort of elect the directors — 12, I guess — and the government will appoint three. And then those 15 people will elect the Chair and other officers of the board from amongst themselves.

Mr. Wakefield: — How does somebody become a member of the board?

Hon. Mr. Cline: — There are one of two ways. Three of the

members would be appointed directly by the provincial government, so they would be appointed through order in council passed by the provincial cabinet. And then the other 12 would be elected by the membership of STEP. So that for example, you know, Trailtech, the company where Keith Brown is from, they would be a member. Many, many other companies in Saskatchewan, they would get together and from amongst their number they would elect 12 to join the three.

Mr. Wakefield: — At an annual meeting or something like that. The membership of STEP I think is fairly constant. Is it growing? There's some data in here from 2002-03 that there is membership retention which is not bad, but I'm wondering, is that still the same?

Hon. Mr. Cline: — In terms of the people who are members that are actually exporters, that has grown quite a bit. I believe over the last four years it's gone from about 180 to 250.

A Member: — About 150 to 280.

Hon. Mr. Cline: — Oh, 150 to 280, which is almost a doubling of the number of exporters. And then the other members — because there are about 425 members — the other members are people that would provide services to exporters as opposed to being exporters themselves. They might be in courier transportation, other banking services.

So the number of exporters that are seeing advantages to being a part of the Saskatchewan Trade and Export Partnership has been increasing. And of course we hope to see that continue.

Mr. Wakefield: — How do I become a member?

Hon. Mr. Cline: — Well the first suggestion I would make, Mr. Wakefield, is that you resign from the Legislative Assembly. And then you develop a product or service which you wish to export from Saskatchewan, which we would also encourage because that would mean economic development. And then you would make application to STEP to join and pay the fee and you would undoubtedly be admitted as a member.

But having said that, Mr. Wakefield, I do want to say in all sincerity that I do enjoy working with you here in the legislature, but I want to wish you well in any future endeavours you may have.

Mr. Wakefield: — Let's see, how do I respond under the circumstances that my constituency is in at this present time? I have a question regarding . . . and again I'm going back to this annual report so it may be outdated and you can help me update this a little bit. We have the . . . There's a statement in here, and this is July 2003 so it's almost a year old, exports contribute to nearly 70 per cent of the GDP of Saskatchewan. And I know that Mr. Treleaven has often used numbers in that range. Is that still an accurate number for percentage of the GDP?

Hon. Mr. Cline: — The most recent figures we have are 2002. And the figure for 2002 was 66 per cent of the GDP (gross domestic product) of Saskatchewan was attributable to exports. And those exports are exports to anywhere outside of Saskatchewan. So they could be to other provinces, or territories, or they could be to other countries. Of course, our

biggest customer by far is the United States.

Mr. Wakefield: — It's very important to have the membership as the driver to how the STEP proceeds. And that's probably some of the success and some of the reasons that I've been pretty public in supporting the concept of the partnership aspect of what we're doing here.

The role of STEP, is it changing? I'm picking up in some instances that there is . . . where STEP . . . And maybe I'm trying to put words in your mouth. But STEP was to facilitate and to try to accommodate and — let's see — look for appropriate developmental projects, find international financial institutions and access to them. That's what I'm reading here.

But I'm also picking up that STEP is starting to become part of the actual negotiations and taking a larger role in what, I think, the membership should be in full control of. What I'm hearing, is it actually happening or how can you comment on that?

Hon. Mr. Cline: — The answer, Mr. Chair, to Mr. Wakefield is no, STEP does not negotiate on behalf of their membership. They will not, you know, negotiate the terms of a contract or a trade deal.

They will facilitate bringing the parties together. And they will work in terms of trade missions and marketing. But they won't actually do the negotiations. They will leave that to the parties to the contract, which would be the exporter in Saskatchewan and the customer outside Saskatchewan whoever that might be.

Mr. Wakefield: — Mr. Minister, in this statement in the annual report, July 30, 2003, there's made reference that STEP will execute a new Canadian International Development Agency, a CIDA-funded program in the Ukraine over the next five years. Is STEP doing that as an organization or is it doing that on the basis of members picking up the CIDA project and running with it?

Hon. Mr. Cline: — STEP is actually doing that project themselves. They will manage the process and certain things will have to be done, and they will obtain the services of some of their members to provide some services in Ukraine.

Mr. Wakefield: — Isn't that, Mr. Minister, isn't that a little bit different than what you described a bit earlier, in that they only facilitate?

Hon. Mr. Cline: — Well I believe what I indicated was that in terms of members selling their goods or services, STEP will not negotiate a contract for the sale of the goods or services between the member and the customer overseas. But in the case of the project in Ukraine . . . Well actually it might be useful to have Mr. Adamson, who's here, elaborate on exactly what they're doing so that we could clarify the difference there. I'll ask him to comment on that. Thank you.

Mr. Adamson: — Thanks. This project is actually a project that we are executing on behalf of the governments of Manitoba, Saskatchewan, and Alberta. It is a CIDA-funded project and the purpose of this particular project is to support the agricultural development in Ukraine.

We are executing it for a couple of reasons. First of all, we believe that there are long-term opportunities for Saskatchewan companies in Ukraine and in other parts of Eastern Europe. We believe by being active in the market at a time when those particular countries do not have a lot of available cash and can't do deals on a commercial basis but where there is long-term potential, it is important for us to be in the market, to be seen in the market, and to bring our companies into that marketplace. And we view the opportunity to manage this project as a good vehicle for doing that.

The second reason is that it does generate some income for STEP. So we do receive some income for providing the management service, in terms of delivering that project.

If I could just add to that, we have been active in Ukraine through STEP and prior to STEP, through the trade development group within the Department of Economic Development. We have been active in Ukraine since 1990. We have delivered or managed three projects. We've completed two and this is the third one that we're working on.

We have introduced a large number of Saskatchewan companies into Ukraine and in fact, particularly in the agricultural equipment sector. We have in fact, over the past couple of years, we've moved a lot of agricultural equipment into Ukraine on a cash-up-front basis. We have Ukrainian delegations coming in to Farm Progress Show, and we believe it's been our presence in Ukraine actively pursuing, actively working with Ukrainian companies and other organizations in the agricultural sector that has provided the impetus for that.

Mr. Wakefield: — Thank you, Mr. Adamson. I'm certainly not quarrelling with the ability of the Saskatchewan manufacturers and exporters to address the Ukraine and what an important market it is. In fact I have in my earlier career been to the Ukraine on several occasions to see what is done, and there is a lot of work has successfully been done, and I think in the future.

I guess I'm trying to establish in my own mind here what the mandate of the STEP organization really is in relation to what is being done there. I'm reading from the Estimates in vote (IR10), under Saskatchewan Trade and Export Partnership Inc.:

Provides a transfer payment to Saskatchewan Trade and Export Partnership Inc. to support the international and domestic marketing activities of its members . . . (certainly) for the benefit of Saskatchewan through an industry-government partnership.

It sounded to me like you had taken on a project not exactly fitting with what the description of this transfer payment was for.

Hon. Mr. Cline: — Mr. Chair, to Mr. Wakefield. The board of directors did consider the question that this was a very broad interpretation of their role and mandate. But they ultimately decided that they should get involved trying to facilitate services by governments in the manner in which Mr. Adamson described, to help strengthen the agricultural industry in Ukraine on the theory that if they helped build up the agricultural industry in Ukraine, it would be good for exporters in Saskatchewan including, for example, the agricultural

implement exporters of which we have a fairly substantial industry here.

Because there are similarities between Ukraine and Saskatchewan which it is hoped would, as Ukraine becomes stronger in agriculture, is hoped that they would also if they had substantial connections with Saskatchewan, be in a position to purchase goods and services from Saskatchewan. So that's the ultimate aim, which is of course related to sales by their members, the exporters.

But certainly I think, Mr. Chair, Mr. Wakefield is right that it's a broad interpretation of their mandate but they think that by doing that, ultimately it fits in with their ability to increase markets for the Saskatchewan exporters.

Mr. Wakefield: — Mr. Minister, in taking on a project like that, was there a need to increase staff?

Hon. Mr. Cline: — Yes, Mr. Chair, to Mr. Wakefield, they do have to increase their staff in order to fulfill the contract, but the amount of money that they're paid by CIDA to do the contract exceeds the cost that they pay to their staff, so that at the end of the day they do the project and they have actually more money than they otherwise would have because they make some degree of profit on it.

Mr. Wakefield: — In this 2002-2003 report that I was referring to, the number of staff members listed here is 27. Is that still a similar number? And is that the same in 2003 and '04? And what are we budgeting for, for 2004-05?

Hon. Mr. Cline: — Yes, the staff level has remained constant generally speaking. It may go up or down one or two just from people leaving or coming for a variety of reasons. And it's expected to remain the same for this fiscal year and the foreseeable future as far as anybody knows.

Mr. Wakefield: — So just thinking about the project in the Ukraine, the report, 2002-2003 report, shows a much diminished appropriation from the Government of Saskatchewan. I think that increased last year if I remember right, and maybe back up to about where it was in 2002.

So the appropriation to STEP has been down and is coming back, and yet we're asking STEP to perform those kind of things as we just talked about in the Ukraine. Are we losing out on opportunities elsewhere by focusing the constant number of people on those kind of projects?

Hon. Mr. Cline: — I'm advised, Mr. Chair, that the resources that they receive, that is that STEP receives from CIDA to do the work in Ukraine, are such that they don't use in-house resources to do this work, that it doesn't take away from anything that they would otherwise do.

So to answer the question, does it diminish what they would do? No. And I should say that Mr. Wakefield is correct that the funding for STEP went down two budgets ago, and then in the last — well actually three budgets ago — and in the last two budgets it has increased, so that it has been restored.

But it is important to know also that STEP can receive funding

in other ways. It receives funding from its members as well. And it could provide other services, such as to CIDA, and obtain money that way.

And there may be opportunities, in a way that I can't elaborate on at the moment, but for other funding agencies of federal and/or provincial government to provide money to STEP, such as through Western Economic Diversification or WEPA (Western Economic Partnership Agreement). And I cannot confirm now that that is the case, but that has been the case in the past. And so it may be possible that STEP's funding would go up quite a bit because they might be funded in another way by another government agency.

Mr. Wakefield: — Thank you, Mr. Minister. When I was looking at the statement of operations in this report, there's . . . it looked like a Mongolia project as well, and there's a Ukraine CIDA, Ukraine — F-a-r-m — FARM Ukraine. Is that a different project there?

Hon. Mr. Cline: — Yes. There was a completion of one project — which was beef and pork — and the beginning of another project, which I can't provide the details of. But I'm sure Mr. Adamson could if you wish to have those.

Mr. Wakefield: — I don't need the details. I'm just wondering how involved we are in those kind of projects because I see the Mongolia project . . . There's other ones here in Bulgaria as well. How many of the projects that are being contracted from CIDA is there? How many of these projects are ongoing?

Hon. Mr. Cline: — As of the present time, Mr. Chair, there is only one project ongoing, which is the project in Ukraine.

Mr. Wakefield: — Mr. Minister, when I'm looking through these, the financial statements — and this is again a year old now — there's one called . . . there's a note here called internally restricted. And in note 4, they talk about the board of directors has internally restricted \$500,000 of net assets; the use of these funds is at the discretion of the board of directors.

Can you tell me a bit about what that is and why it's, what is called, internally restricted? And what kinds of things would the discretionary ability of the board have?

Hon. Mr. Cline: — It is, I am advised . . . Mr. Chair, to Mr. Wakefield, it is a contingency fund that STEP has, that in the event of anything untoward that might happen where they need to have any funds available for their use, that — any unforeseen circumstances — that they would have a fund to fall back on.

Mr. Wakefield: — Thank you, Mr. Minister. Is it still there in the same quantity?

Hon. Mr. Cline: — Well as a matter of fact I'm advised that there are no funds left in the contingency fund at the present time. As Mr. Wakefield indicated, he's looking at not a current report but the last available report.

The board of directors made a decision to release those funds subsequent to that report and spend them on operations. And I think the contingency they were responding to, in large part, was the fact that three years ago the government cut back

funding to STEP, which has now been restored, but in effect what they have done is used that money to meet the contingency of their funding being cut back, drawn on their reserves to maintain their operations, but to the point where I am advised that they no longer have any money in that fund.

Mr. Wakefield: — Mr. Minister, was that an actual cash fund or was it like our Fiscal Stabilization Fund?

Hon. Mr. Cline: — It was actual cash, although I'd like to think it was in an account somewhere and not in someone's mattress.

Mr. Wakefield: — I just have one or two more questions here. But there is a section . . . And I don't understand this. I'm not an accountant and so I just asked one and I didn't get a very good answer from him because I was trying to hear your answer. Under net assets there's something called unrestricted and there's quite a difference in numbers there — unrestricted asset, 90,000 in the year 2003 and it was 760,000 in year 2002. I'm not looking for numbers. I'm just wondering what is an unrestricted asset?

Hon. Mr. Cline: — Maybe I'll ask Mr. Adamson to try to explain that.

Mr. Adamson: — This goes back a number of years and in fact the board had made a decision and requested that STEP build a contingency reserve fund of up to six months operations for STEP. And that contingency reserve was about \$1.4 million at the time.

Through the negotiation of our new funding agreement with the government, which was about three years ago, we agreed with the government that we would reduce that contingency reserve from 1.4 million to \$500,000. In order to reduce it to that, what was agreed was that we would undertake special projects to deliver additional services to Saskatchewan exporters and reduce that 1.4 million to the \$500,000. Okay? So that's why you see the significant shift, because those monies were expended over the course of that period of time.

Mr. Wakefield: — Thank you, Mr. Adamson. That raises a couple of points. I'm not sure you explained to me what unrestricted means. And the other question from that is, if the \$500,000 internally restricted is no longer in place and we have a contingency — what?

Mr. Adamson: — The unrestricted means that it's not . . . that it was unrestricted because the board . . . it did not require board . . . specific board approval to spend that. The board approval would come through the board's approval of the business plan and the planning process whereby those specific projects and special projects were approved.

With respect to your last question, part of the contingency or part of the agreement that we have with the government in terms of a renewal of our agreement was for, as part of reducing that contingency, was for six month notice period, if in fact there was anything going to happen. And we felt that that offset the need for specific contingency.

Mr. Wakefield: — Gee I wonder where the government would

find that money if . . . with a six months notice.

I guess the question that I would ask about this is, in another section here, it's called proceeds from the sale of investments, back in 2002 it was over half a million dollars and then there was nothing. What was the sale of investments? I'm not sure what is meant by . . . because I'm not sure you had those kinds of investments at hand.

Hon. Mr. Cline: — Mr. Chair, to Mr. Wakefield, the sale of investments would be as they drew the fund down, because the fund they had would have been invested, you know, in investments. And then as they draw it down, they have to sell the investments.

But you know I do want to say that one of the issues here, and I've seen it before in other contexts, is that when government is budgeting and we're dealing with some of the organizations that we fund, we do take into account the fact that if they're accumulating reserves on the funding they're getting . . . And they may be getting funding in other ways but not always spending all of the money they have on their yearly operations. I mean at some point when reserves accumulate in organizations, government, any government, will say yes, we will fund you this year but we believe that, you know, some of these reserves perhaps could be used for some of your operations. And that has happened here.

I think there have been issues at SARCAN where there have been reserves in the past that have been drawn down as well. And I don't really have a problem with that.

I don't think governments should necessarily be in the business of, in the organizations we fund, making sure that we're providing enough money to accumulate reserves. So I don't make any apologies for that; I think it's common sense.

But having said that, I don't think STEP has done anything inappropriate either. They managed, they accumulated some reserves when finances were tight in government. Those reserves had to be relied upon in the same way that municipalities will draw on their reserves to meet capital projects and so on. So that is what has occurred here.

Mr. Wakefield: — Mr. Minister, the \$500,000 internally restricted fund should then in fact show up under revenue in next year's annual report as part of revenue. I think you refer to it as being reverted back into the operations of STEP. Is that correct?

Hon. Mr. Cline: — Well I'm not an accountant either but it has to . . . If assets are sold they have to show up somewhere, so maybe Mr. Adamson knows where they show up in the subsequent report.

Mr. Adamson: — If I could defer that at this point in time. I know we've talked to our auditors about what our financial statements, where they're going to be. We've gone through that process. We're actually meeting with the auditor later this week to actually do a final review of that. And I know they will show up because I know that there's some notes that the auditor has made in that regard, but exactly where they're going to show up I couldn't say.

Mr. Wakefield: — Well thanks, Mr. Adamson, if there's any way that you could help clarify the situation for me I'd appreciate it if you would take a note and, Mr. Chair, I have one more question if we could, before we adjourn.

Under the statement of operations, again back in this annual report and I'm sorry I have to go back a year because that's all I have . . . There was a deficiency of revenue over expenses by a considerable amount, another half a million there, and I'm wondering if what . . . maybe you don't have the numbers for 2004, but are we still going in that direction?

Hon. Mr. Cline: — Yes that was in fact the writedown of the unrestricted contingency. That when their funding was cut they drew down on their reserves to make up that shortfall so that they could continue with the same or a similar level of operations with less funding, just by spending some of the money that they had saved over the years.

Mr. Wakefield: — And again in the statement of cash flows, maybe just for clarification. In this report it says that there was an increase . . . no a decrease in cash and it's gone almost the \$1.2 million difference from 2002-2003. So I would ask if, Mr. Adamson, if you could share some information to me on that, maybe not at this stage but I'd like to at least have an idea of why that's such a difference in an increase . . . or decrease in cash.

Hon. Mr. Cline: — Okay, I'd just like to get some clarification. In terms of process, are the members of the legislature to direct questions directly to officials or are they directed through the Chair to the minister, and then the minister determines, you know, whether they should be directed?

The Chair: — I think the process that we've established here is that members would ask questions of the minister, and then the minister can direct an official to answer— if you so choose.

Hon. Mr. Cline: — Okay. Thank you. I think I'm going to confer with Mr. Adamson and then we'll see if I'll answer the question or if he will.

Mr. Wakefield: — Mr. Chair, I guess I would apologize for doing that then. We've kind of kept it on the basis of who's responding. And if the answers are causing some logistics, I apologize for that, Mr. Minister.

Hon. Mr. Cline: — There's absolutely no reason for an apology. The only reason I point it out is the ministers have to be accountable to the Legislative Assembly. So that, I think, in terms of just as a process, that the questions have to be addressed to the ministers and they have to decide how the question is answered because, ultimately, we are the ones that are responsible to the Assembly. That's my understanding.

But I certainly am not looking for an apology. I'm too busy contemplating Mr. Wakefield's new export enterprise to worry about that.

Yes. Mr. Chair, it's the same answer as before, that they had a cash account which was their reserve. And that was used to draw down their reserves to meet cash shortfalls and, as Mr. Adamson said before, to undertake some projects on behalf of

some of their members that they wished to undertake.

So in other words, they spent the money. They spent the money on proper activities of the organization, which are ultimately audited and that's where the money went.

The Chair: — Mr. Stewart.

Mr. Stewart: — I'd like to take this opportunity to thank the minister and the officials. You've been very helpful. And I too will spend the weekend contemplating Mr. Wakefield's new enterprise.

Hon. Mr. Cline: — Mr. Chair, I want to thank the officials also and I want to thank the members of the opposition for their questions here today.

The Chair: — Thank you very much, Mr. Minister. Before the officials leave, I would ask that the minister would remind his officials that 15 copies of written responses are required to be sent to the Chair in care of the committee Clerk Ms. Woods. If you would do that.

If then the business of the committee is concluded, the Chair would entertain an adjournment motion.

Hon. Ms. Higgins: — I so move.

The Chair: — It's been moved that this committee adjourn. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — This committee stands adjourned.

The committee adjourned at 17:00.

