



STANDING COMMITTEE ON THE ECONOMY

Hansard Verbatim Report

No. 14 – April 7, 2005



Legislative Assembly of Saskatchewan

Twenty-fifth Legislature

**STANDING COMMITTEE ON THE ECONOMY
2005**

Mr. Eldon Lautermilch, Chair
Prince Albert Northcote

Mr. Randy Weekes, Deputy Chair
Biggar

Ms. Brenda Bakken
Weyburn-Big Muddy

Ms. Doreen Hamilton
Regina Wascana Plains

Hon. Deb Higgins
Moose Jaw Wakamow

Mr. Delbert Kirsch
Batoche

Mr. Kevin Yates
Regina Dewdney

[The committee met at 15:00.]

The Chair: — Thank you. Good afternoon, ladies and gentlemen. We are about to begin a new round of committee meetings, and we have some new appointments to the committee. And I would like to welcome you all collectively, those of you who haven't been here before.

I think it's an interesting committee. It encompasses very much of the economic base and the activities of the economic base of this government. And so it's very important the work that we do.

So what we do have to do, as our first order of business, is to elect a Vice-Chair before we proceed to the estimates for the Department of Industry and Resources. Mr. Yates.

Mr. Yates: — Thank you very much, Mr. Chair. I'd like to nominate Mr. . . . or, pardon me, the member from Biggar to be the Vice-Chair of the committee.

The Chair: — Thank you, Mr. Yates. Are there any further nominations? If there are no further nominations, could we indicate our support for the new Vice-Chair? All those in favour?

Some Hon. Members: — Agreed.

The Chair: — Agreed. Congratulations. Look forward to working with you.

Mr. Weekes: — Thank you, Mr. Chair. I look forward to working with you as well and the committee. And our members in the committee and our critics for the various departments is looking forward to bringing questions to the various ministers and guests. And we hope they will get many good answers that the people of Saskatchewan are looking for. Thank you.

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

Subvote (IR01)

The Chair: — Thank you very much. The first item of business then is the estimates for the Department of Industry and Resources. They're found on page 88 of the Estimates book. Mr. Minister, would you introduce your officials to us?

Hon. Mr. Cline: — Yes, thank you very much, Mr. Chair. And it's a pleasure for me to be here this afternoon to appear before my colleagues on both side of the House.

And I want to introduce the officials from the department with me. Sitting to my right is Larry Spanner, who's the deputy minister of Industry and Resources; sitting to my left is Bruce Wilson, the assistant deputy minister of petroleum and natural gas. And behind us are Debbie Wilkie, the assistant deputy minister of industry development. Bruce Wilson, the . . . I'm sorry, Jim Marshall, the assistant deputy minister of resource and economic policy. We only have one Bruce Wilson, although we'd like to have two if we could. George Patterson,

the executive director of exploration and geological services. And Hal Sanders, executive director of revenue and funding services. And I did have an introductory statement if you want me to go into that now, Mr. Chair.

The Chair: — I think that would be appropriate, Mr. Minister.

Hon. Mr. Cline: — Thank you. The Department of Industry and Resources has a mandate to fully develop energy, mining, and forestry resources. It also works with business to expand the economy by promoting, coordinating, and implementing policies and strategies to encourage economic growth. The \$58 million in this year's budget gives the department the tools to do that.

In the budget, we're pleased to see continued funding for existing programs and the introduction of new initiatives to encourage economic growth. Just a few short weeks ago I was pleased to join with Premier Calvert to announce new enhanced oil recovery incentives. This is an important initiative revising the tax and royalty structure for carbon dioxide projects to all new and expanded enhanced oil recovery projects. The initiative includes a renewed and improved Saskatchewan petroleum research incentive program and exemption from PST [provincial sales tax] and fuel tax for substances used in enhanced oil recovery.

In the upcoming fiscal year we will be continuing with the same level of program and support services to what has become a booming mining industry. This year mineral exploration spending is expected to be at an all-time high, at 95 million in 2005. In this year's budget we'll be investing in a major expansion of the subsurface geological core laboratory, a valuable research tool for our mining and oil and gas sector. We'll be adding an extra \$1 million to our share of funding for the Canada-Saskatchewan Western Economic Partnership Agreement, WEPA.

WEPA is designed for projects that increase the competitiveness and productivity of our economy. And our funding this year will be for fast-track projects in business, tourism, and economic and technological innovation. Two major ethanol plants are expected to come on stream this year in Weyburn and Lloydminster. As a result of this expected increase in production, we are budgeting for \$4.9 million this year for ethanol fuel tax rebates to distributors. Our budget also includes an increase in the Strategic Investment Fund to support various projects related to developing new technologies.

Tourism Saskatchewan will receive an increase in funding from just under \$7.2 million last year to \$7.9 million in this year's budget to help support our growing tourism industry.

Saskatchewan Trade and Export Partnership, known as STEP, will also see an increase from just under \$2.6 million last year to almost 2.8 million this year. The increased funding for STEP will help exporters in the province.

Mr. Chair, the Saskatchewan economy is on a roll. Since the last time this committee met, we've become a have province, one of only three in Canada. We've seen our economy grow, with one of the highest growth rates in the nation. And, Mr.

Chair, oil production has actually doubled in Saskatchewan over the last 10 years. We've had 11 straight months of record job numbers over the previous year. Statistics Canada expects Saskatchewan's capital investment to increase by 12.6 per cent in 2005 — double the national average. We're on a roll.

Mr. Chairman, our budget provides the resources and tools the staff at Industry and Resources need to help Saskatchewan businesses keep building on the economic momentum that we truly have. I would now be pleased to entertain questions from the members of the committee. Thank you.

The Chair: — Thank you, Mr. Minister. I'll introduce the vote no. 23, subvote (IR01). Is that agreed? Ms. Bakken.

Ms. Bakken: — Thank you, Mr. Chair. Mr. Minister, thank you for that opening statement. And I would like to ask you a few questions about the issue that we were discussing today in the House, previous to coming to committee.

And in reading the revenue initiatives in the budget, you indicate that in 2004-2005 you announced that Saskatchewan would be reviewing, in consultation with the oil and gas industry, the taxation status of resource trusts that own oil and natural gas producing properties in the province. And that this review was initiated to ensure equitable tax treatment. And now you have, your government has, introduced a corporate capital surcharge on resource revenue . . . or resource trusts, I mean.

And I would like to ask you, how was the review conducted that allowed you to come to this conclusion and who did you consult with?

Hon. Mr. Cline: — I'm very pleased to answer that, Mr. Chair. The review is conducted through a series of meetings between officials of both the Department of Industry and Resources and Finance — meetings between those officials of those two departments and representatives of the oil and gas sector over several weeks and months to discuss the issue.

Ms. Bakken: — Mr. Minister, would you be able to provide the committee with a list of the industry representatives that you actually consulted with and would we be able to have you table a copy of the review and decision that was . . . were made from that review?

Hon. Mr. Cline: — Well I don't have the names of the various parties that were consulted in the meetings with me at the moment, Mr. Chair, but I'd be pleased to undertake to provide the committee through you with a written response.

And there is no document to table with the committee. This was a series of meetings, discussions, as I've said, which led to the decision that was taken.

Ms. Bakken: — Thank you, Mr. Minister. Well if there was no actual document, how did your department and yourself arrive at this decision then?

Hon. Mr. Cline: — Well I think I've already explained that, Mr. Chair. As I said, there was an indication in the last budget as the member indicated that this matter would be examined, that the industry would be consulted.

There was then a series of consultation meetings between officials of the Department of Finance and Industry and Resources on the one hand and industry officials on the other hand where the issue was discussed, consultation occurred, opinions were expressed by industry people some of whom favoured the change that has been made, some of whom did not.

The consultation took place, a decision was taken and it was communicated by the Minister of Finance on March 23 when the budget was presented.

Ms. Bakken: — Thank you, Mr. Minister. Mr. Minister, you indicated that some of the industry supported this move and some did not support it. What would be the reasons for the support for this move and, subsequently, what were the issues that surrounded those that did not support it?

Hon. Mr. Cline: — Well I think it's important to understand, Mr. Chair, that what this is about is the corporate capital tax surcharge. And there are some companies — actually many companies — in Saskatchewan which are not what are commonly referred to as resource trusts. And those companies that are not resource trusts must pay the Government of Saskatchewan the corporate capital tax surcharge.

Then there are some companies that structure themselves as resource trusts. In those cases, they do not have to pay the corporate capital tax surcharge because of the way they're structured. And the income is allocated — instead of to the trust itself — to the unitholders of the trust who may live anywhere outside Saskatchewan or within Saskatchewan, but mainly live outside Saskatchewan.

What happens is, instead of the company paying the tax in Saskatchewan, that is the corporate capital tax surcharge, the income is allocated to the unitholders outside the province who then pay income tax on the income to their respective provincial governments.

And it was the feeling of those companies, which favoured the move that's been taken in the budget, that it was unfair that some companies in Saskatchewan paid this tax to the Government of Saskatchewan and some companies did not. And at the same time that instead of the people of the province benefiting from the equivalent tax, that the tax on that income would be paid by unitholders to the Government of Ontario, or the Government of Quebec, or the Government of British Columbia.

So many of us, myself included, some representatives of industry — I would say many companies that operate in Saskatchewan — feel that the companies should be treated the same, equitably. And we also feel that income tax should be paid to the province of Saskatchewan on production in Saskatchewan and not to other provincial governments.

I understand that others — apparently, including the member from Weyburn — do not share that view. But that was the rationale that we adopted. It was a principle of fairness, Mr. Chair, and it was a principle of maximizing benefit to the people of our province from the development of the resource.

And so some of the companies we consulted with felt that for

those two reasons that it was a fair move to make. I'm not suggesting that all would agree — some would disagree. But this was the rationale and that's the policy decision that was made and I believe that it was the correct decision.

Ms. Bakken: — Mr. Chair. Mr. Minister, I heard your argument. I guess it's the same that you expressed in the House today.

It's common knowledge, I believe, that we certainly compete with Alberta for the share of investment that goes into the exploration and the development of oil and gas. And as I'm sure you're also aware that there is not a corporate capital tax or a corporate capital surcharge in Alberta.

You know, the initiative that I believe was put forth by the Premier was to further develop the oil and gas industry in Saskatchewan so that we can grow economically, and we can keep our young people here, which is the goal certainly of the Saskatchewan Party. And to put an added tax on to level the playing field is certainly the wrong way to go.

Why would your government not have looked at a way to start decreasing the corporate capital tax for all oil and gas entities in the province, as opposed to turning around and increasing a tax that is certainly a deterrent to growth in our industry and the province?

Hon. Mr. Cline: — Well, Mr. Chair, the member from Weyburn is incorrect when she suggests that a tax was increased as a result of the budget. It was not increased. What happened was a tax that exists was applied to some companies which do not pay it, so that they would be in the same position as other companies which do pay it. And as I said through you to the member from Weyburn previously, it is an issue of fairness.

I want to say to the committee, Mr. Chair, through you, that the implication that the member from Weyburn is trying to give, which is that somehow we're in a non-competitive position with Alberta because we have a corporate capital tax surcharge, is absolutely false. It's absolutely false and untrue.

And the reason for that, Mr. Chair, is as the member from Weyburn should know, as of November 1, 2002 the Government of Saskatchewan — I might add as a result of the good work that you did because you were the minister of Energy and Resources at the time — amended the royalty and corporate capital tax surcharge structure to ensure that the combination of the corporate capital tax surcharge and the royalties charged to an oil company was equivalent to what a company would pay in Alberta.

Now, the member from Weyburn is correct when she says they do not have a corporate capital tax in Alberta. But when she goes on to suggest that we're therefore non-competitive, she's absolutely wrong because the fact of the matter is, Mr. Chair, whether the member from Weyburn knows it or wants to admit it or wants to ignore it, the taxation system for a company operating in Saskatchewan drilling an oil well from and after November 1, 2002 is the same in Saskatchewan as Alberta. And what we have seen is increased production, and things are going very well in the oil patch.

And contrary to anyone who for some reason, perhaps a political motivation, wants to suggest that oil is not being developed in Saskatchewan, I would like to refer the committee, Mr. Chair, to an article that appeared in today's *Leader-Post* on page B4 by Bruce Johnstone, the business reporter for the *Leader-Post*, where he quotes a Mr. John Styles, who's president of Wedona Energy. And Mr. Styles first of all says that what we need to do in Saskatchewan is develop technology to increase production. But he goes on to say this, and I think it's interesting. He says:

"In the early '90s [this is a direct quote] . . . Saskatchewan had a production rate of about 200,000 barrels a day [200,000 barrels a day, Mr. Chair]. A decade later [that's now], primarily driven by the results from horizontal drilling, we're now at 420,000 barrels a day" . . .

Now we can see, Mr. Chair, that the production of crude oil has more than doubled in Saskatchewan in the last 10 years. He then goes on to say:

By contrast, Alberta has seen about a one-third decrease in conventional (non-tar sands) crude oil production, from 900,000 barrels per day to 600,000 barrels per day during the same period.

I'm not here to criticize the Government of Alberta or suggest their policies are wrong. I'm here to say to members of the legislature and others who for political purposes want to say that something is wrong in the province of Saskatchewan — that it is totally false. I mean, and I think in all honesty, Mr. Chair, we need to acknowledge that production has doubled in Saskatchewan. And we also need to acknowledge that there is a competitive taxation regime as between Alberta and Saskatchewan, regardless of the fact that we may have a corporate capital tax.

Now if there's any member of the Legislative Assembly that wishes to sit down with myself, the Minister of Finance, and officials from our departments of Finance and Industry and Resources so that they can review the documentation and be informed as to how things actually work in the province of Saskatchewan, I invite them to come to my office — let me know when they're coming — and we shall do so, Mr. Chair, because I am not going to have the public record suggest that we don't have a competitive oil regime, when we have worked hard to do so and when there are people working in the constituencies of Weyburn, Estevan, Kindersley, and others who are working because of the changes we've made.

And I don't mean to take undue credit . . . Or it is as a result of the co-operation with the industry, Mr. Chair. But those are the facts. That is the record of this government, and I'm going to defend that record.

Ms. Bakken: — Thank you, Mr. Chair, and to the minister, while you've indicated that there's a level playing field, well if you're in business, whether it's in Saskatchewan or wherever it is, a tax is an expense. And that has to be paid and that comes out of your bottom line. So to suggest that because we have a corporate capital tax and we have a corporate capital tax resource surcharge, that that is not a deterrent to business coming to Saskatchewan, whether it's in . . . whatever industry

it's in, is totally false because it is certainly a major, major component of the decision that would be made by an industry to develop here, to come here originally, or to expand here. And so to suggest that it has no bearing is totally false.

And the royalty, the resource — excuse me — the corporate capital surcharge is very detrimental because it is on revenue. And it is, you know, if you pay your corporate capital tax, you pay the difference in the surcharge. So you're going to pay 3.6 per cent irregardless of your revenue under this added tax.

And if the minister is suggesting that we are going to see a boom in Saskatchewan in the next year in oil and in gas production, then there's something that doesn't jibe here because in the budget document, he's indicating that there's going to be less oil wells drilled. And I know the minister indicates that because of the CO₂ injection we are seeing an increase in the number of barrels. And I agree with that and that certainly is the case.

But to suggest that we're going to see a decrease in the number of oils wells drilled — and that's a positive thing and he looks at that as growth — and then to say that there's going to be also a decrease in the number of gas wells drilled in the province next year and then even less in the year following, and yet the prediction for the country is that there will be 17,000 new gas wells drilled in the coming year, and the minister's predicting that under 10 per cent of those will be in the province of Saskatchewan. So how can he indicate that there's going to be a boom here and that somehow his government can take credit for that?

Hon. Mr. Cline: — Well, Mr. Chair, there already is a boom in the oil industry. The fact that the member from Weyburn does not know that or refuses to recognize it doesn't take away from the facts. It is a fact that the oil production in Saskatchewan has doubled.

And by the way, when the member says that a new oil well would have to pay a 3.6 per cent corporate capital tax surcharge, the member's incorrect, Mr. Chair. One of the changes made in 2002 was to reduce it to 2 per cent. It's still a tax, but for the member to repeatedly say that people pay a 3.6 per cent corporate capital tax surcharge is simply false.

Now the member goes on to say that because of the tax, which she misdescribes, there will not be investment in Saskatchewan. She says, how could there be. The fact of the matter is that each and every year, the oil industry is investing approximately \$1.8 billion and more in the Saskatchewan economy. That should be acknowledged. Rather than indicate that the oil industry does not invest in Saskatchewan or will not invest in Saskatchewan, it should be acknowledged, Mr. Chair, that it is investing in Saskatchewan. And I refuse to have the impression given and left unanswered that that isn't happening.

And in answer to the member's assertion that people would not want to invest in Saskatchewan, the Conference Board of Canada, Mr. Chair, has said that capital investment in Saskatchewan — that is, investment in businesses in Saskatchewan — will increase by 12.6 per cent in 2005. Mr. Chair, the national average for an increase this year is 6 per cent. Saskatchewan is going to double the rate of increased

investment this year. And that's on top of growth that Saskatchewan experienced in 2003 and 2004 that was close to top of the growth in the country.

And so I find it strange that a member of the Saskatchewan legislature would want to indicate to people — for some political reason, I assume — that people do not want to invest in Saskatchewan. Mr. Chair, it is totally contrary to the facts and what is happening. And there are many good business people in Saskatchewan, from outside Saskatchewan, who are working to build the economy. There are 11,000 new jobs in Saskatchewan over the last year. And I don't mean to suggest that there isn't more work to be done. In fact the Minister of Finance has announced a business tax review to look at a lot of issues, including the corporate capital tax. And perhaps we can even do more.

But we have a record in our government of cutting the oil and gas royalties to make them competitive. We can't make them zero; you know, we can't give everything away for nothing. We all know that we need a reasonable rate of taxes to pay for health care and education. We can't reward just the rich without being concerned about tax reform for ordinary people, which we've done as well. We're making changes in mining, Mr. Chair, to try to get more mining work going, and we see more exploration than we've seen in years, plus a staking rush in northern Saskatchewan. We'll continue to make changes.

I don't suggest everything's perfect, but I think we've got to challenge those that say everything is bad as well. And when people state things that are not true about rates of taxation or lack of competitiveness, we need to set the record straight so that we're all talking about the facts here.

Ms. Bakken: — Thank you, Mr. Chair, and Mr. Minister. Well certainly there is no doubt that we could be you know having a boom in the oil industry in Saskatchewan, which we're certainly not having. And at the price of oil it is very disturbing that the reasons that I've expressed before are some of the main reasons that we are not — because of the hindrance to taxes that are not a hindrance to growth that are not directly on capital. And if you talk to people in the industry, the number one reason why they're not coming here is because of the high taxation on capital and also because of a lack of confidence in the government that things are going to stay the way that they believe they are now. And this latest tax is just another indication of that.

That the Premier makes an announcement that he was going to make Saskatchewan the energy heart of the future and then that he's going to awake a sleeping giant . . . and those are very applaudable initiatives. And then to turn around and tax the very industry that has generated over \$1 billion in revenue and has caused our province to become a have province and has allowed an extra \$1 billion to be in the budget, to send them that kind of a message not only is a deterrent to investment from the oil and gas industry, but it's a deterrent to all investors in the province that the rules can change in the middle of the game.

And the oil and gas industry creates thousands of jobs in the province, and the spinoff benefits from that and the money that goes into property tax and into utilities and is spent in local communities to enhance communities. And I guess, you know

where I'm coming from is . . . I do not understand why as the Minister of Industry and Resources you would not want to send the message to them that — you know what? — we want you here. We want to keep you here, and we want to encourage you to expand, and we want to encourage more investment to come into the province. And this has sent exactly the opposite message.

Hon. Mr. Cline: — Well again when the member says that we've imposed a new tax, there has been no new tax imposed. What has happened is there was a tax in existence which is the 2 per cent corporate capital tax surcharge — 75 per cent of the companies paid it; 25 per cent did not. And we have said that all companies should be subject to the same taxation rules. That's what we've done.

Obviously the member disagrees with it. But I do find it strange that on the one hand the member says, well what we're doing prevents the industry from growing, and on the other hand she says we're a have province and have record profits because of this industry. Well she's right when she says the second part. We are a have province with record profits because of the industry, and she's right that it employs a lot of people. But you can't have it both ways. You can't say that we're preventing the industry from operating on the one hand, and on the other hand saying we're a have province because we've got the industry.

Yesterday I think the record shows that the member from Weyburn was in another committee saying that we had record profits from the oil and gas sector. Well if that's the case, if people are making big profits in Saskatchewan from oil and gas and the government's benefiting, I guess the industry is working.

So I don't know which way it is — that we have an oil and gas sector or we don't. But according to the information we get from the Department of Industry and Resources, which I accept, the production has doubled today over 1991 and continues to go up every year. So I mean, maybe some people can't stand good news. I don't know. But there's good news in the oil patch for sure, Mr. Chair.

Ms. Bakken: — Thank you, Mr. Chair. And to the minister, there is no doubt that there is revenue coming from the oil and gas industry. And what I did say was that we would experience expansion and new investment in the industry if we did not have taxes that deterred this from happening.

And most of the extra revenue that we've experienced in the last year and will continue to experience into the new fiscal year — even though the government has chosen to downplay the budget numbers by lowballing the price of oil — the large amount of the extra revenue is because of the price of oil. It has nothing to do with what this government has done. It is simply to do with the price of oil, and that is why there's extra revenue in the budget in the province of Saskatchewan.

I'd just like to leave that issue for now, and we'll hopefully get back to it another day.

But I just would like to ask you a question about an article that was in the paper recently about a company receiving a five-year exploration permit on a giant 1.4 million acre block of land

located 20 kilometres from the eastern edge of Suncor Energy's firebag project around Fort McMurray. And do you . . . or in Saskatchewan on the Saskatchewan side of the oil sands. Was this land sale, did it go through a normal sale process, or how was this land awarded?

Hon. Mr. Cline: — I'm going to turn this to Mr. Wilson to answer in terms of the land sale.

But in terms of the first part of the member's comments, I'd just like to say that according to Statistics Canada, capital spending intentions for oil and gas extraction by the oil and gas industry is expected to go up by 13.5 per cent this year, Mr. Chair. So I do want the committee to know — and I know that committee members from both sides of the legislature will want to know — that the industry intends to invest 13.5 per cent more than they did last year.

So I know that all members will want to know that, and I'll ask Mr. Wilson to comment on the land sale that the member is asking about. Thank you.

Mr. Wilson: — Yes. There was not a competitive land sale per se with the issuance of that particular permit. We have a rather old set of regulations called The Oil Shale Regulations, and under those regulations, you can apply for permits for the purposes of oil shale exploration and oil sands exploration. So as long as the basic requirements are met, we are obliged to issue a permit.

So we were approached by a company last year, who indicated that they were willing to go into an area that has not been looked at since the 1970s, and there were a number of permits that were granted to this particular company — about 1.4 million acres in total.

Part of the arrangement that we came to with the company was that after one year, they would relinquish 40 per cent of the overall amount of the permit acreage that had been granted. And one year hence from that, they would relinquish a further 40 per cent. So the idea was for them to do their, sort of, broad-based geological work and really, sort of, hone in on an area that they thought was most prospective.

So that is what we hope will happen. As of this point in time, there has not been any exploration — no drilling — that has taken place on the permits, but there certainly was some indication in the paper that they would like to proceed within the not too distant future.

In terms of surface access, I would point out that our department does not control surface access. Up in that part of the province, the surface would be controlled by the Department of Environment, and so they would have to make application to the Department of Environment for any surface access that they would be requiring.

Ms. Bakken: — I'll turn it over to Mr. Cheveldayoff. He has some questions.

Mr. Cheveldayoff: — Thank you very much, Mr. Chair. A few questions for the minister.

I notice from the estimates report that the full-time equivalent staff complement is actually going down but the budget is up rather significantly for the department, 11.9 per cent. Could the minister just comment on why the staff complement is going down, the budget's going up?

Hon. Mr. Cline: — Yes, well with respect to the FTEs [full-time equivalent] going down, the deputy minister indicates to me that it's basically just vacancy management; that we have some vacancies in the department that we're opting not to fill. Of course I'm sure it's on a restated basis, but some of our people have gone over to the new Department of Rural Development as of April 1. But that may not be reflected in the budget.

In terms of the increase to the department's funding, most of it actually is not money that would be kept and spent by the department. Let me explain. When the ethanol becomes in production in Weyburn and Lloydminster, we will as you know, Mr. Chair — and as committee members will know — will be paying a rebate to ethanol producers, so that in effect ethanol is not subject to the fuel tax. And that will cost an estimated \$4 million during this fiscal year that in effect it doesn't go to us, it really goes to ultimately consumers I suppose, or just producers, depending on how you look at it. But in any event it's 4 million to take the tax off ethanol in fuel which we pay as money that goes to the producers.

And then WEPA, the Western Economic Partnership Agreement, with which the members are certainly familiar, gets \$1 million. And then we're spending \$860 million on the core lab to expand it. And I think all committee members will know how important that is. It's in Regina and it has core samples from all the drilling done by various exploration companies.

Then 727,000 goes to Tourism Saskatchewan, as I indicated in my remarks. So we give that money to Tourism Saskatchewan and they will use it largely to market Saskatchewan — probably mainly outside Saskatchewan — but according to their marketing plan.

Then there is the 200,000 that goes to STEP. And a category described as energy initiatives which includes . . . Oh, it's Weyburn again and then some other projects for 660,000. And when you add those numbers up, that is almost all of our increase; it's about \$7.5 million. And so it's money that goes through the department, but really isn't kept and spent within the department — it goes to those places that I've just indicated. And that's why it looks like we have a big increase, but actually it's to pay to third parties for those purposes, which I think just about everybody probably here would agree with — ethanol rebates, and WEPA, and so on.

Mr. Cheveldayoff: — Thank you, Mr. Minister. Mr. Chair, the direction I was going with the question was the salary budget specifically. It's showing a decrease from 2.2 million down to 1.3 million, and I guess the minister may have touched on that as far as a transfer of staff to the new department. Is that indeed the case, or what explains the \$800,000 less in forecast salaries?

Hon. Mr. Cline: — Okay, I'm sorry. I wonder if the member, Mr. Chair, could just refer to the page number and section that he's looking at.

Mr. Cheveldayoff: — Yes, yes, Mr. Chair. On page 88, classifications by type — under central management and services — salaries, '04-05 compared to '05-06.

Hon. Mr. Cline: — I've just been reminded of something I knew of already, and that is under central management and services, we used to do our information technology within the department. And what we're doing now is co-operating with the Information Technology Office as part of a broad initiative to try to centralize information technology. And some departments and agencies, including Industry and Resources, have transferred people and staff from their department or agency to the IT [information technology] Office, and that is reflected here. There may be some other changes as well, but I think that's the major one. Yes, that's the reason.

Mr. Cheveldayoff: — Thank you, Mr. Minister. On that same area, capital asset acquisitions are up \$810,000. Can you tell me what the details of those additional assets are?

Hon. Mr. Cline: — That's the expansion of the core lab that I referred to. The geological core lab is located in the city of Regina, and if you ever have the opportunity — any committee members — to go there, it's well worth the trip. I believe it may be in the fine constituency of Regina Dewdney, whose MLA [Member of the Legislative Assembly] is here.

And it is a huge facility, the size, I think, of two football fields. It's absolutely amazing. But what has been done for decades is to . . . Every time somebody drills into, well the bedrock basically, I guess, they take a core sample. And all these things are stored in what effect is a library of core samples of all the drilling in Saskatchewan. And it takes up a lot of space.

And to make a long story short, that facility needs to be expanded to house all of the core samples because of course we've got a boom going on in oil and gas and also in mining. So we need more space to facilitate the needs of industry, and we're spending 800-and-some thousand dollars to do that.

Mr. Cheveldayoff: — Okay. Thank you, Mr. Minister. On page 89 under industry development, specifically business development, it talks about a budget of going from \$3.4 million in '04-05 to \$3.8 million in this coming year. And could the minister just expand upon what the \$3.8 million represents as far as business development goes? And, you know, in years previous we've seen things like the Broe ethanol deal, and I believe the money was encapsulated in this budget item. Are we going to see something like that again?

Hon. Mr. Cline: — I'll ask the deputy minister, Chair, to speak to that issue.

Mr. Spannier: — In terms of the line item for business development, the 3.8 million would represent salary dollars for the personnel working in that area as well as some dollars set aside for research projects, and so on.

Mr. Cheveldayoff: — Thank you, Mr. Deputy Minister. Could you expand upon the research in that area?

Mr. Spannier: — Well typically from time to time we would . . . you know, where we don't have the expertise within the

department, we would contract out certain types of studies and so on.

If you go back years ago when we did some initial work on ethanol, we contracted with a gentleman, an ethanol expert in Canada, to determine what the market is in Saskatchewan and things like that. So those types of studies where we don't have the expertise within the department, we would contract them out.

Mr. Cheveldayoff: — A couple of questions that I received through my consultations with industry officials across the province. One deals with the uranium industry, Mr. Chair. To the minister, it's been said that the royalties on uranium are many years behind the schedules of where they should be or agreements haven't been settled over a long period of time. And I just want the minister to indicate, is that indeed still the case or have there been some royalty rates on uranium that have been settled in the recent past?

Hon. Mr. Cline: — Mr. Chair, I wonder if I could ask the member, is he referring to the rates themselves or is referring to some kind of accounting function in terms of settling what is owed for years past?

Mr. Cheveldayoff: — My information is that the royalty rates themselves on uranium going back as far as 1988, and that there was some backlog as far as the charges that have been made and some differences between industry officials and the department's officials.

Hon. Mr. Cline: — Well I'm advised that the current royalty system was implemented in 2001. So it would have spoken to, I guess, issues that arose before then — and that it is revenue base, replacing the previous profit base system while maintaining royalty revenues. And that was done in 2001. That set the royalty structure we have now.

Having said that, we're certainly always willing to talk to the industry about you know changes that could be made perhaps to incent more development, and so we'll be certainly looking at that. And you know we're always in discussion with uranium companies about royalty issues.

So changes were made, the royalties were lowered, and the new system came in in 2001. But that was four years ago and we can always have another look at it. Certainly the industry is very healthy, but we're quite committed to building this industry in Saskatchewan.

Mr. Cheveldayoff: — Thank you, Mr. Chair. Mr. Minister, also a question along a similar line. Regarding the petroleum and natural gas area of the department, I understand a commitment was made to put all records from the PNG [Petroleum and Natural Gas] Division online. Has that indeed taken place? And I understand other provinces have done that and Saskatchewan has undertaken to do that. Just some confirmation.

Hon. Mr. Cline: — Maybe I'll ask Mr. Wilson to speak to that, if I may.

Mr. Wilson: — There is certainly a lot of information that is

online today in terms of overall production, things of that nature. But certainly, we aren't at a point where all information that we have is online. And I'm not sure if there's something more specific that you were inquiring about.

Mr. Cheveldayoff: — Just a general undertaking, I understand and I wasn't privy to previous discussions that have taken place, but I understand there was a commitment from your department to put as much information as possible or legally possible on-line. All I'm asking is if indeed that is your intention?

Mr. Wilson: — Right. I think each and every year we end up putting more on our website. There is no doubt about that. But we're not at a point where absolutely everything is available. A goodly amount of our geo data information is not yet on-line and that's something that we, that we may work towards in the future. But it's, it's a matter of cost and resourcing to do all of that.

Mr. Cheveldayoff: — Very good. Mr. Chair, to the minister: regarding the price of oil and the price that was pegged in the budget, which was \$41.50 US [United States], I understand that the budgeting process begins in November — in this case November '04 — and a lot of changes have taken place. Does the Department of Industry and Resources have an updated or revised schedule of where they see the price of oil at right now, and for the remainder of this fiscal year and also into the future. The budget projects a decrease into the next year into the \$36 US. And I understand that there's various groups out there that are looking at different levels. But certainly I think the trend is indicating to an upward level, what I've seen from CIBC World Markets and Goldman Sachs.

Hon. Mr. Cline: — Well as the member knows, Mr. Chair, and everybody knows, I guess, it's sort of the \$64 million question, you know, what the price of oil will be in the future. And it's very hard to say.

Now I would say that certainly it looks like when they estimate in the budget that the price of oil will be \$43, it looks quite cautious as a projection. But what I would want the committee to know is that this is not done in isolation by the Government of Saskatchewan. It is done looking at what everybody else is projecting as well, the private sector.

And for example, I have here a document dated March 18. It says, summary of a WTI [West Texas Intermediate] price forecast and the Deutsche Bank for example projects 37.50. The CERI [Canadian Energy Research Institute] — mind you, this is their projections from November of last year — was \$37. The Energy Information Administration of December 2004 projected 45.54. Another organization in January was at 42. Ross Smith Energy Group in December was at 35. Scotiabank, December, was at 39. Sproule Associates in December was at 44.29. The industry average in the fall — now mind you this is slightly dated, I acknowledge — but was about 40.28. And as the member knows, the budget is sort of put together in January, February of the year.

Now I will say that you know each and every year we have similar questions — and when I was Minister of Finance and now as Industry and Resources — about the projection. The projection of the Government of Saskatchewan usually tends to

be about the same as the projection of the Government of Alberta because they do their best to look at the various private sector forecasts, and they go forward from there. And I must say that I think both of the governments of Alberta and Saskatchewan, probably others as well, seem to have been more cautious than circumstances warranted.

But on the other hand, we see in one of the national papers yesterday where some expert — so-called I guess because none of us are really experts in this — projects that by next summer the price will go down to — was it? — \$28 US. And somebody suggested to me, I think yesterday at the energy forum, some official of the oil industry said that well OPEC [Organization of the Petroleum Exporting Countries] will allow this or they'll allow that and they won't allow the price to go this high and they'll increase production. Well who knows?

What I'm trying to say to the member is, I know that the price of oil yesterday was 55.50 or thereabouts, and I know that the budget predicts 43, so it seems like a discrepancy. But this is a discrepancy that . . . We're not alone. We're consistent with everybody else, and nobody knows for sure. So that's I guess as best as I can answer it. But we don't do this in isolation or make these numbers up ourselves. We consult very widely with the industry and with the various experts around the world.

Mr. Cheveldayoff: — So the department itself though doesn't revise those figures throughout the year. They just take what's in the budget and . . . or is there an official projection right now?

Hon. Mr. Cline: — No, it would be revised as time goes on. One of the reforms that we brought in terms of financial accountability is quarterly reporting. And so the Minister of Finance — and it think it's reasonable by the way, you know, to at least have a three-month period so that you can have a look — and the Minister of Finance will sit down with the media and the opposition and everybody . . . yes with . . . and revise the forecast as the year goes on.

And internally, I have to say that we also regularly provide the Department of Finance with updates in terms of how the Department of Industry and Resources sees things happening so that we inform them as best we can as to what we think is happening in terms of the production, the royalties, and so on. And yes, it will certainly change throughout the year. And fortunately for the last few years, it's changed to the good.

Now unfortunately, well when I was Minister of Finance — I hope it wasn't because of this — I seemed to have the opposite result quite often, that as we went through the year, the Department of Industry and Resources would say, sometimes we had less money than we were expecting from mining royalties and the like. And so you had some negative surprises. And I say that just because, you know, sometimes we can think, well it will be better than we said, so we can spend all this money, and sometimes things can turn on a dime and you lose the money too.

Now having said that, I have to admit I'm quite optimistic. I think that the price of oil is going to stay strong and that we're going to do well. But I certainly understand that the Minister of Finance wants to cover all the bases and not spend a lot more

money than he may have.

Mr. Cheveldayoff: — Thank you, Mr. Minister, and Mr. Chair. The minister indicated that it might be the \$64 million question. I would suggest that it's probably the 1.2 or \$1.4 billion question to this province.

The minister indicated in his opening statement, and he's reiterated several times in the House and a couple of times in this committee, talking about the projected growth rate in Saskatchewan. Certainly we're all pleased to see a 12.6 per cent projection. But I think it's important that we keep it in the context. And the minister is the first to indicate that we have to keep the facts straight.

So I'm just going to read what Doug Elliott from *Sask Trends Monitor* had to say. Of course we know *Sask Trends Monitor* is a monthly statistical newsletter. And Doug Elliott says, and I quote, he says:

“It's not great, but [it's] not quite as dismal as . . . [we have] been reporting.”

. . . Saskatchewan ranked last out of the 10 provinces for investment . . . from 2001 to 2004, with an . . . annual growth rate [of] 1.8 per cent, compared with the national average of 5.6 per cent.

And to begin another quote:

“The (projected 2005) increase comes off . . . four years of being [the] 10th highest (in spending growth) among [the] 10 provinces.

“So we have what the economists like to call a large percentage increase from a [very] low base.”

I'd just like to have the minister's comments. And are Mr. Elliott's analysis, is it correct or does the minister differ with Mr. Elliott's analysis?

Hon. Mr. Cline: — Well I would say that, I mean, the facts speak for themselves. The fact is that in 2001 and 2002, Saskatchewan experienced a recession, so we didn't have growth in the economy in those two years. We had decreases. And that's largely attributable to drought, and most reasonable people understand that. And my point is not that we've enjoyed good growth each and every year.

My point is that we are on a solid foundation, and we're turning the corner. And I think that Mr. Elliott, in other things that I've read him say, would agree that it appears that Saskatchewan is turning the corner. And so I'm very optimistic about what is happening. And we see a lot of growth and development in various sectors including oil and gas, mining, and so on. And I think it's important to recognize that.

So yes, we've had some tough years. And are we moving out of that? I don't think there's any question that we're moving out of that, and I think that's very gratifying for all of us on both sides of the House. So I'm very pleased to see the growth that's occurring.

Mr. Cheveldayoff: — Well the minister then — I think I'm hearing him correctly — would agree that some of this is catch-up over the last few years. The 12.6 per cent growth is overstated in light of what has happened in previous years.

Hon. Mr. Cline: — Well it's certainly not overstated. I mean, if it's growing at 12.6 per cent this year, it's . . .

Mr. Cheveldayoff: — Overstated in light of . . . in isolation, if we just take the one year in isolation.

It's more important, I think, to take a larger number of years and look at the growth over that period of time. That's certainly, you know, what I heard from the Conference Board of Canada when they reported in Saskatoon day before yesterday.

Hon. Mr. Cline: — Well it's always important to look at a long-term trend. I would agree with that, Mr. Chair. And if we do that and go back 10 years, what we see is that the growth in the Saskatchewan economy — I believe since 1992, so that's actually a 13-year period — is second only to Alberta.

The province of Saskatchewan . . . I mean, if you go back to 2000 or 2001, it may be a different story because we had drought for two years, and we had frost in one year. And everybody knows that when things are tough on the farm, that's going to impact the Saskatchewan economy. Fortunately we're firing on all other cylinders. And this year, I think we'll have a good crop, and we'll be firing on all cylinders.

But I agree with the member; you want to go back to a longer term. And if you go back to '92, I think Saskatchewan's GDP [gross domestic product] growth is the second highest in Canada. So yes, we should look at the long term. And when we do that, we see that we've made quite a bit of progress in our province. Our economy's more diversified. We have record numbers of people working. And I know that that's a source of optimism and pride to all Saskatchewan people.

Mr. Cheveldayoff: — Mr. Chair, the minister's correct that it certainly is . . . the opposition, as well as most people in Saskatchewan, hope that you exceed those targets.

But it's just important that we state the facts in a correct manner and look at each year in isolation and then look at the overall growth that has taken place in a number of years. And that's why we have concerns in the opposition about new taxes like the corporate capital tax surcharge, that certainly we don't want to see anything that would hamper that growth in any way.

I have a somewhat philosophical question for the minister, if he would indulge me. It regards incentified oil development. Over the political history of Saskatchewan, there's been a debate about incentives for oil development in the province. Some have said that incentives towards oil companies are giving away resources, are wasting resources towards oil companies. And others have said it's a way of growing the industry. I was just interested in hearing the minister's thoughts on that question. Where does he stand on incentified oil royalties?

Hon. Mr. Cline: — Well the position of the Government of Saskatchewan has been articulated, Mr. Chair, by the Premier and by myself and others on many occasions, and that is that we

take a position of pro-development of the oil and gas sector, the mining sector, the forestry sector.

We don't speak to what other governments may or may not have done. We don't speak for the Conservative government of the 1980s or the New Democratic Party government of the 1970s or the Liberal government of the 1960s. We speak for the New Democratic Party government of the 1990s.

And our record, Mr. Chair, speaks for itself. It has been a series of incentives, probably half as long as my arm at least, to further develop the oil and gas sector. That is the clear policy of the Government of Saskatchewan. And any fair-minded individual that looks at our record compared to that of the Conservatives, the Liberals, or previous NDP governments will know that we have taken a position to build the oil and gas sector. And that's the position that this government will continue to take.

That's why as I've said repeatedly throughout this hearing that oil production has actually doubled in Saskatchewan under the New Democratic Party. And I'm very proud of that fact — as should be yourself — as a long-serving minister who oversaw a lot of the changes that were made — incentives to incent this development.

And our record speaks for itself. I don't need to say much more than that. And I think it should be very apparent to all members that the Government of Saskatchewan believes in the development of the oil and gas sector.

Mr. Cheveldayoff: — Thank you, Mr. Minister. And I'm certainly glad that we agree on this point, that incentives to the oil industry are indeed an investment in our province, and are not giveaways or anything like that. And I'm pleased to hear him say that. Mr. Chair, I'm finished with the question.

The Chair: — Thank you very much. And I guess we will be moving to the estimates on the Department of the Environment. I would like to thank the minister and his officials before the time they spent here at our committee.

Mr. Weekes: — I would also like to thank the minister and your officials for a very interesting discussion today, and look forward to future meetings.

Hon. Mr. Cline: — Well I'd like to thank you, Mr. Chair, and all members of the committee for their very insightful questions. And I'd like to say how much I've enjoyed the dialogue that we've had here today, and I really appreciate the assistance of our capable officials as well. Thank you.

The Chair: — Thank you very much.

**General Revenue Fund
Environment
Vote 26**

Subvote (ER01)

The Chair: — I think we have our officials in place. We are going to be moving to the Department of Environment estimates. I would like to begin by asking Minister Forbes to

introduce his officials and we'll continue with the discussion.

Hon. Mr. Forbes: — Thank you very much, Mr. Chair. I'm pleased today to introduce my officials. With me is my deputy minister, Lily Stonehouse; associate deputy minister, Alan Parkinson. Behind me is seated assistant deputy minister, Dave Phillips; and assistant deputy minister, Bob Ruggles; director of finance and administration, Donna Johnson. As well from the Watershed Authority is vice president of the Saskatchewan Watershed Authority, Wayne Dybvig; and director of policy and communications, Dale Hjertaas.

So, Mr. Chair, I appreciate the opportunity to speak to the committee today about the mandate and activities of the Department of Environment. Now this is Saskatchewan's centennial year, a major milestone for the province. During our centennial it is important to recognize that it is our shared responsibility to promote and protect our province in its natural resources. This fiscal year Environment's budget will be investing \$172 million to support a broad range of initiatives which emphasize the benefits of sound environmental management and safeguarding our natural legacy.

We have several goals. Mr. Chair, our goals include reducing the risks to clean and healthy ecosystems; protecting people, communities, and resources from forest fires; ensuring there's a fair opportunity for the sustainable use and enjoyment of natural resources; and a shared environmental stewardship.

The Great Sand Hills. In mid-2004 the review committee report on the future of the Great Sand Hills was accepted and applauded by nearly all of the stakeholders involved. This year \$900,000 will be invested to expand our knowledge and our future ability to manage this unique ecosystem.

Protecting our environment. The future health of our land, water, and air depends on what we do today. In 2005-2006 we will fully implement the provincial safe drinking water strategy. This fiscal year the environmental protection branch's budget is just over \$6.9 million, including \$3 million to continue safeguarding the health and quality of our drinking water.

Overall the province is investing \$24.6 million towards the safe drinking water strategy. The budget for Saskatchewan Watershed Authority is \$6.1 million and we are also investing in recycling.

SARCAN will receive \$10.6 million to operate the beverage container collection program, and we are working with our partners to develop a comprehensive strategy on waste management. We are also developing two new programs — one for e-waste, focusing on computers, and the other for paint recycling.

Fire protection. We are spending \$20.25 million to start the modernization of our aerial firefighting fleet. This process includes the purchase of two new CV-580A tanker aircraft. Our commitment to a \$42 million investment in our firefighting fleet over four years will help us ensure the health and safety of people and protect valuable commercial timber resources and property. We will also plan to build 20 new fire towers, bringing the total to 23 . . . or I mean, 33, the number of towers operating in the province.

Mr. Chair, this year's total budget for forest fire management, including these capital expenditures, is \$89 million.

Sustainable forest management. This year more than \$13.7 million has been allocated to the forest service to manage the Crown forests through program, policy, regulation, and resources allocation.

The parks and special places. This year, based on revenue forecasts, we plan to spend about \$20 million in our treasured parks and recreation sites. Supporting ongoing operations and capital upgrades will make our parks and recreation sites even better. We are also investing \$3.8 million in our five urban parks; including Pehonan Parkway, the new riverfront park in Prince Albert.

Resource stewardship and compliance and field services. We have budgeted more than \$7.3 million to ensure continued environmental protection, sustainable economic development, sustainable fish and wildlife populations, biological diversity, and healthy ecosystems. \$13.3 million is allocated for compliance in field services branch to continue to support environmental protection and management through compliance and enforcement.

Mr. Chair, our budget shows we are committed to our environment, our natural resources for today, and into our province's next century. Thank you very much.

The Chair: — Thank you, Mr. Minister. The vote that we are discussing is Environment. It's vote no. 26. That's found on page 50 of the Estimates book. And the first item is (ER01). Mr. Hart.

Mr. Hart: — Thank you, Mr. Chair. Mr. Chair, I'd like to start by making a few general comments. First, I'd like to thank the minister and his staff — we met earlier this week and I found it a very useful meeting.

We spent some time just going over the general overview of the department's responsibilities and areas of activity, and I would just again like to say thank you. It was very helpful. And being new to this critic duty, it's certainly helped me, at least, put into perspective some of the things that the department is responsible for and so on. And it certainly, I think, as we carry on in estimates, we . . . You know, that package of information that was provided will be . . . I know I will find exceedingly useful.

Having said that, I guess I'd like to make a couple of comments about how I view — and perhaps how the official opposition views — the environment. I think it's fair to say that the issue of the environment and environmental issues are becoming increasingly important in today's society. More people are becoming environmentally aware.

And various facets of the environment . . . And it seems . . . As we discussed the other day in our meeting, it seems like Environment covers the whole piece, where other departments perhaps more zone in on a specific area of responsibility. It seems, at least from my limited experience in dealing with the Department of Environment and looking at the areas of responsibility, it seems like your department, Mr. Minister,

seems to cover almost every aspect of human activity.

And that is becoming more and more important with the Kyoto Protocol that Canada signed on to two years ago, and now that's becoming reality since Russia signed on to the Kyoto Protocol late last year. And I think we're all waiting to see the federal government's implementation plan.

There was some work done a couple years ago but at least it . . . It seems to me that nothing really . . . In the last two years nothing new has taken place. And I understand that the federal Minister of Environment will be making an announcement next week and I guess we are all waiting to see what that announcement will be.

As I said, the Environment covers such a wide range, from resource stewardship, and when we think of those areas — our forests and our air and our water and our wildlife flora and fauna. But it also deals with waste management and waste reduction and all those areas.

And so I guess as the practice of this legislature is, we will have a number of times to discuss the spending and areas of activity in your department, so we will zero in in future sessions on specific areas. But I think for today we'll probably maybe take a more general approach and perhaps later in the hour, if time permits, we'll get into a few specific areas.

And so having said that, when I look at the Estimates book and I see on page 49 that there is a slight increase in the staff component for the department — I believe it's nine full-time equivalents — and I was just wondering if you could explain briefly where these additional positions will be and what responsibilities they will have.

Hon. Mr. Forbes: — I appreciate the question. And of course last year was a tough budget for Environment. We had lost several positions. And maybe I'll ask Lily to give more details in a minute. But generally now that we've gone through reorganization and we've set our priorities, that some of those things will have to have some staffing allotments to them. And so I can ask Lily to give you the specifics on the nine.

Of course this being the centennial and some of the initiatives that we'll be talking about will have to have that support. And we're lucky to have the budget that we have because I think it's important. I think that . . . As you said in your opening remarks, and we see it as Environment touching all departments — everyone, you know, and all landscapes. And so it's important that we do fulfill our mandate and that we have the resources to do that. And so now that we've gone through our reorganization and are able to say, so how do we need to do our job to meet our mandate? But I'll ask Lily for the nine specifics, and we can go from there. Thanks.

Ms. Stonehouse: — So the new FTEs are all related to new initiatives in the department; two to work on the Great Sand Hills in terms of management of the project; two to work in northwest Saskatchewan on a clear water land use planning and economic development planning exercise; one in parks to work on the cottage park fee assessments; one in environmental protection to work on abandoned non-uranium mine cleanup — we're starting this year to plan for that clean up — and one

related to the work that has to be done in Prince Albert, related to the creosote issues there.

And there are two FTEs of temporary nature here, related to the minister's responsibility and supporting him as Chair of the Council of Resource Ministers this year, and Chair of the Council of Ministers of Environment next year.

Mr. Hart: — I think I followed you, Ms. Stonehouse, on all of them except that you mentioned there's two in northwest Saskatchewan and I wasn't, I didn't quite follow or understand what those two positions are doing.

Ms. Stonehouse: — We're undertaking — in conjunction with Northern Affairs in particular, but a few other departments will have some engagement as well — a planning exercise with the community of La Loche and the Clearwater Dene Nation related to economic development in the area and the implications of that for land use planning.

Mr. Hart: — Okay. Perhaps we'll, in some future sessions, we'll get back to some of those when we zero in on certain specific areas.

As I looked through the estimates, there's just a couple, well a few things that sort of caught my eye, and I must admit I probably haven't looked as closely and dug into the numbers as much as I would like to. But perhaps we can just cover a few of the questions that I have.

To begin with, under (ER11), environmental protection and water management, the beverage container collection recycling system, there's about \$10.6 million dollars. And is that . . . that is payment to SARCAN, is it?

Hon. Mr. Forbes: — That's correct, yes, for the handling of the beverage container program. And it's very important. I mean if I could take a moment and just . . . for us, this is a key priority. And we'll be launching a major consultation strategy this spring, actually in the next few months, around solid waste management and how do we deal with that.

And of course, SARCAN is a very important part of that process, and so this is a commitment we have through a contract with them.

Mr. Hart: — Okay, specifically if you could perhaps go a bit, a little more into depth in that. Perhaps my understanding of the way the agreement or system works with SARCAN is not quite clear in my mind, I suppose.

But it seems to me when individuals take recyclables to SARCAN, these are items that deposits have been paid at the time of purchase and then . . . So the \$10 million is like . . . Can you just kind of explain the flow of funds, I guess.

Because I mean at the time of purchase, an individual, whether it's a glass bottle or a particular cardboard carton where there are deposit fees, that money is paid and it's collected by — is it the Department of Finance? So maybe if you could just explain the sort of the whole cycle of revenue stream as it flows from the time the initial purchase of a glass bottle is made with a deposit fee and how it all . . . and then when that is taken back

for it to be recycled. Could you just kind of explain that whole process.

Hon. Mr. Forbes: — Well it's actually fairly straightforward, and it's an interesting one because, you know, we're launching other programs. But with this one, it is one that's handled by the Government of Saskatchewan. And this fee is collected; the deposit is collected. And so it is a fee that is returned to SARCAN upon . . . Now I want to differentiate here because we're actually talking about two different fees here. We're talking about the environmental handling charge — and I think that's what you're referring to — because as well when you buy a beverage container, you actually . . . are collected. There are two fees charged to you — the environmental handling charge and the deposit.

And so when the deposit fee is . . . When you go into SARCAN, you've taken your container in there and you get your 3 cents or your 5 cents back, and then that's charged to Finance and they refund that. You know, I mean that's sort of . . . SARCAN handles that on behalf of the consumer. All right? So there's that loop there. But what we pay SARCAN is out of the environmental handling charge fee. That's the other charge that's collected, to the consumer.

And so what you see with some of the other things we're going to be doing is — this is a very important concept, this environmental handling charge — how do we have a sustainable program?

Mr. Hart: — Just to be clear then, so the \$10.6 million that we're talking about in this particular line item, this is not the deposit money that is cycled through SARCAN.

Hon. Mr. Forbes: — That's right.

Mr. Hart: — This is the environmental handling charge?

Hon. Mr. Forbes: — That's right, yes.

Mr. Hart: — Okay. And then SARCAN uses this \$10 million and pays that back to the people — somebody's shaking their head here — or does SARCAN use this for their operations?

Hon. Mr. Forbes: — That's right.

Mr. Hart: — Okay. To cover their costs of operations, is that what's happening?

Hon. Mr. Forbes: — Right.

Mr. Hart: — Okay. Because I know this is also a revenue item and in our discussions the other day there was made mention, and I believe I did cover some of this ground in Public Accounts earlier this year, but perhaps we could just redo, go over that area again.

As far as revenues then, could we . . . What are the revenues that Finance or your department collects on deposit and environmental handling fees? Would you have those figures available?

Hon. Mr. Forbes: — Okay. Maybe I'll ask Donna to come

forward and explain the actual numbers of what we have here.

Mr. Hart: — Sure, okay.

Ms. Johnson: — I don't have the exact numbers with me today, but in round numbers the deposits that are collected are in the neighbourhood of \$20 million, and the environmental handling charges collected on the revenue side would be in the neighbourhood of \$13 million.

Mr. Hart: — Approximately 33 million.

Ms. Johnson: — Approximately.

Mr. Hart: — Okay. How much money is paid out on deposits when the glass bottles are returned? Would we know that?

Ms. Stonehouse: — We have about an 85 per cent return rate. It's actually one of the best in the country.

Mr. Hart: — Okay.

Ms. Stonehouse: — So about 85 per cent of that total.

Mr. Hart: — Of the 20 million then. Okay. Okay. No, I'm sure in future estimates we'll come back to this. But like I said, I just want to do a few things and get into a few general areas for today to start things off.

One of the areas that I think I would like some explanation on is on resource stewardship; that's (ER15). There's about 7.3 million or \$7.4 million budgeted in that area. Of that, 4.3 is salaries and about \$3 million is suppliers and other payments.

I wonder if — particularly the suppliers and other payments — I wonder if you could just explain briefly what those funds are allocated for.

Hon. Mr. Forbes: — I'll ask Lily. Do you want to or . . .

Ms. Stonehouse: — I'm going to bounce it to Dave.

Hon. Mr. Forbes: — Dave. Let's go to Dave.

Mr. Phillips: — In addition to payments for salaries, the typical kinds of expenditures in the resource stewardship branch would relate to costs for biological sample collections for processing land dispositions, land applications, indirect expenses that relate to the stewardship program.

Mr. Hart: — Okay. So it's not that a large chunk of this money is contracted out to one or two companies or individuals or those sorts of things. It's to support the activities of the staff within that department?

Mr. Phillips: — Yes. In addition . . .

Mr. Hart: — Or that branch, I should say.

Mr. Phillips: — There are also expenditures related to resource stewardship through our Fish and Wildlife Development Fund.

Mr. Hart: — Okay. Okay. Well seeing that was one other area

that I was going to ask today about, the Fish and Wildlife Development Fund, in the information under (ER07), it says that revenue is a portion . . . or revenue for the fund is received from hunting, trapping, and angling licences. Is that the only source of revenue for this, for the Fish and Wildlife Development Fund?

Hon. Mr. Forbes: — I believe it is, yes. It's 30 per cent of your licences so . . .

Mr. Hart: — It's 30 per cent?

Hon. Mr. Forbes: — Yes.

Mr. Hart: — Okay.

Mr. Phillips: — There is a small amount of additional annual revenue from, for example, contract haying on parcels of land, that there be some additional revenue. But the primary source is from the 30 per cent of angling and hunting licences.

Mr. Hart: — The Fish and Wildlife Fund, is that the only fund that the department administers? Are there any other funds that the department administers on behalf of other agencies and individuals who would make donations or towards wildlife development and that sort of thing?

Hon. Mr. Forbes: — We have several funds that we . . . You know, there's a Commercial Revolving Fund that works with the parks and that type of thing. And I'm not sure if there are gifts of parks specifically but I'll ask.

Lily, would you know of any, where people make specific donations or are there . . .

Ms. Stonehouse: — So the Fish and Wildlife fund is the fund, as it says, for contributions related to fish and wildlife that come from the licences.

We also operate a number of trust funds related to forestry, which are reforestation charges primarily. And I'm . . . That's the only two? That's the only two where we receive money for specific purposes. And the Commercial Revolving Fund, of course, is the park revenues.

Mr. Hart: — That was my next question. The Commercial Revolving Fund — what is it and how is it used? You've already mentioned that it has to do with the operation of the parks.

Hon. Mr. Forbes: — It has to do with the operation of the parks, because we take in a fair bit of income over the summer, and how do you manage the operation of that fund and make sure bills get paid and wages get paid. But I'll ask Dave to give a more specific answer on that.

Mr. Phillips: — The Commercial Revolving Fund is exclusively for use in operating the parks. Sixty per cent of the cost of running the parks is typically covered by revenues. Revenue sources include park entry, campground permit fees, and so on, but also annual lease payments from commercial lessees, and to a small extent, renewable resource revenue, and this would come from, again, fees for grazing, where it's used

as a management tool. And in the case of Moose Mountain Park, there is revenues from pre-existing oil and gas that is also directed into the CRF [Commercial Revolving Fund]. I think the revenues last year were just under 10 million.

Mr. Hart: — Good, thank you. Minister, I'm referring to the Department of Finance news release on budget day, associated with the budget, under the green economy portion. There was a number of items that are highlighted, and I believe you made some mention, a \$43,000 SARCAN grant, that's incorporated in that 10.6, is that . . .

Hon. Mr. Forbes: — That would be associated with that. We are in negotiations with them in terms of the 10-year contract, and of course that's part of our process. We have a 10-year contract with them — and I think we're towards the end of that — and so what we're trying to do is make sure that they are sustainable, and that we want to make sure that they can do the work that we've charged them to do. And so that's part of that, but this will be a year where we get into much more negotiations about where we go with that, that contract.

Mr. Hart: — What type of increase, if any, was there to SARCAN in the past fiscal year?

Hon. Mr. Forbes: — In the previous year?

Mr. Hart: — Yes.

Hon. Mr. Forbes: — I believe that there was . . .

Ms. Stonehouse: — 550 or in that range.

Mr. Hart: — 500?

Ms. Stonehouse: — Thousand — sorry — 550,000.

Mr. Hart: — And this year it's only 43,000?

Ms. Stonehouse: — That's correct.

Mr. Hart: — Why the significant difference in grant? And I recall seeing some literature that's on my desk, that I need to get to very quickly, from the SARCAN organization. I believe the tone of the literature is that SARCAN is not entirely pleased with the size of this year's increase in the grant. I wonder if you could speak to that.

Hon. Mr. Forbes: — I mean, I would ask Lily in a minute to do that. But I know that we're working hard in negotiations, and they wanted to see progress with that. So I'll ask Lily to speak to that one specifically.

Ms. Stonehouse: — So the increases we've seen over the last six or seven years have all been related to the terms of the contract. And it has a kind of a series of steps built into the contract where, based on the cash flow of SARCAN itself, it triggers an increase in the grant. And that's what happened last year. SARCAN's reserves dwindled to a point where it triggered this piece of the contract, and they got the additional 550,000.

But that's now in their base, and so it can't be triggered again.

And the increase, the 43,000 this year is . . . I don't know what it's related to. It's just their operating . . . okay . . . just based on their financial statements? Okay.

Mr. Hart: — What length of . . . What is the term of the contract traditionally that you've had with SARCAN? Is it a year-to-year contract; is it over a period of five years, or somewhat longer or less than that?

Hon. Mr. Forbes: — It's a 10-year contract, but it's been an interesting time as we work through this because as you know, this is a process. And it's one that this is the only group that we do deal with in terms of environmental handling charges because others like tires and that are arms length from us.

But it's one that we're trying to find the right mix in terms of how much should a non-profit organization have in their reserves versus how much should be here and that type of thing. So we're working closely with them so . . .

Mr. Hart: — Are you in the process of negotiating a new 10-year term or is this a year-to-year adjustment within the current 10-year contract? What is the status of the contract at this point in time?

Hon. Mr. Forbes: — No, the intention is to negotiate a new 10-year agreement. What's the outlying . . . How will we . . . At this point because, you know, the environmental handling charges this year as Ms. Johnson pointed out was about \$13 million. How long can that last? How high do we go with that? At some point they'll hit that. And so in terms of making sure that their workplace is achieving the goals they want to in terms of human resources, that type of thing; they have to deal with those issues. So we're working on it, and the plan is to negotiate a new contract with them. And we're, as I said, we're getting closer to the end of this one, and we want to make sure we do . . . that it's satisfactory to everyone.

Mr. Hart: — Okay, good, thank you. I'm sure we'll most likely be coming back to that particular issue in the future too, I'm sure.

I wonder if you could briefly give me an update of the Qu'Appelle Valley lakes and what's the current status of negotiations. I've had some questions by cottage owners, from cottage owners along the Qu'Appelle Valley as to what they can expect as far as the level of water on the various lakes. And I wonder if you could just very briefly give us an update on that issue.

Hon. Mr. Forbes: — Well it's a very timely issue of course, and people are watching that very closely out there. So again, well I think the main thing that's happened this year over the course of the winter months is there's been some new faces involved with this. Sy Halyk, as a lawyer, has been working for the federal government to see what can happen there. So we're optimistic, we are very optimistic that some movement can be done there. Again, we view this as largely a federal issue because we want to make sure that outstanding issues are resolved before we get involved with this. So we'll keep you posted as the developments over the next while happens.

Mr. Hart: — As far as last year, there was a one-year

agreement to maintain water levels in Pasqua and Echo Lake. Will there be that type of agreement for 2005? Is that in place?

Hon. Mr. Forbes: — Well I think it's premature at this point to say what might happen, but we're optimistic that the folks . . . the bands we were working with last year were anxious to resolve this on a longer term basis. But as I said, there are things moving, and we'll keep you posted on this.

Mr. Hart: — So what you're telling me then is that no, there isn't a current . . . as of today there isn't an agreement with the bands for 2005 on those two lakes?

Hon. Mr. Forbes: — Today there is no agreement.

Mr. Hart: — Today there is no agreement.

Hon. Mr. Forbes: — Right.

Mr. Hart: — You're hopeful that there may be one?

Hon. Mr. Forbes: — I'm very hopeful, because we've had good relationships and we want to keep talking with the bands out there, and so we're working hard to get some things happening pretty darn quick.

Mr. Hart: — Now if we move further east and go to Crooked and Round Lake, last year there was no agreement to maintain the water; you know, historic water levels I guess — if we look back over the last 30 or 40 years or whatever, however long those dams have been in place, I think it's longer than that — is there any indication that there's a better chance this year that a temporary agreement may be arrived at that would affect the water levels in Crooked and Round Lake?

In other words, that they would . . . people owning properties along there may see a return to the more traditional water levels. Is there . . . What's the status with Crooked and Round Lake as far as a temporary agreement for 2005?

Hon. Mr. Forbes: — Well I'll ask Mr. Dybvig to answer this in a minute. But what I would say is again, this new Sy Halyk is bringing a fresh look at the whole picture and what can we do to move this along. And it was . . . We didn't have that interim agreement with the two lower lakes and the bands associated with that.

So we're hopeful, with that, that there can be new work done in that area because it would be great to get that all resolved. I think there's an opportunity here, when you're bringing new people to the table, that we can move forward with this.

But I also wanted to say, and maybe Mr. Dybvig can allude to this, of course there is a little higher than usual runoff and what that can mean as well is a bit of good news out there.

But Mr. Dybvig, if you have anything to add.

Mr. Dybvig: — Okay. Yes. I guess back in February, the federal government hired Mr. Halyk, a lawyer from Saskatoon, to see if he could make some inroads and break through some of the breakdown in discussions that have happened over the past year.

And for the past two months, he has been working with the legal counsel that represents the two main first nations, Sakimay and Ochapowace. And they continue to be working through the Qu'Appelle Valley Indian Development Authority or QVIDA. So he has been working with them, their legal counsel and so there has been dialogue taking place.

And we understand that he has prepared a report and is providing a report to the federal government as to what he thinks, his view in terms of what optimism he has to be able to reach an agreement. And we're not aware of what his conclusions are at this time. But we are . . . What we've been hearing is fairly optimistic, that there is some interest in pursuing discussions between the First Nation and the federal and provincial government.

Mr. Hart: — Minister, is your department . . . do you have people sitting at the table while these discussions are taking place?

Give me . . . I'd like a sense of the level of involvement that your department has in these negotiations. Because, as it has been stated in the past, if the two parties are unable to reach even an interim agreement, it negatively impacts on the citizens of this province. And therefore, you know, I feel that your government has a responsibility to see that this process is moving along and, as I said, I would like a sense of what level of involvement your department has in these discussions.

Hon. Mr. Forbes: — In a minute I'll ask Mr. Dybvig to give you more specifics on that, but clearly we have a role there in supporting the teams there. We did last year. As part of the settlements, we were involved in . . . we hired a student to do some testing, that type of thing. But it was really . . . It's important that we make sure that the results are something that we can live with. Because we'll be taking over the future issues here in both, in terms of water levels, but also the whole issue about source of water, water quality, that type of thing.

So, Wayne, if you want to give the specifics of how . . .

Mr. Dybvig: — Yes, the federal government has led in these negotiations because the claim came up under a specific claims policy of Indian Affairs and northern Canada. But the province does sit at the table for all negotiations. The Watershed Authority has a person that sits on the negotiating team. As well there is representation from First Nations and Métis Relations department as well. So we are always at the table, always aware of discussions, and are trying to be as supportive as we can to further negotiations.

Mr. Hart: — Thank you for that. I see the clock is ticking, and there's a couple of other areas I'd quickly like to get to before our time is done for today.

I wonder if you could, Minister, provide me with a, I guess, a brief explanation as to how your department handles the whole area of outfitting and how you deal with outfitters, how areas of the province — our outfitting areas — are assigned, for how . . . you know what type of term. I would imagine there is, there may be different provisions within your agreements for outfitting that would take place in the southern part of the province versus, you know, the forest fringe and the forest area

— maybe not.

But I wonder if you could just, sort of, do the outfitting 101 introductory course for me very briefly.

Hon. Mr. Forbes: — And the member asked for this to be brief. This is something.

But, no, we're guided by The Natural Resources Act on this. But this is, this is an important area in terms of economic development and opportunities in rural Saskatchewan and northern Saskatchewan. We take this as an important part of our mandate in terms of how we protect our natural resources, whether it be big game, birds, or fish. We know it's an opportunity to showcase our province and our natural resources, and so we take this very seriously.

I'm going to ask Dave to give you a brief overview of this, but this may be one that you take on further because it is very complex. And it's a growing area that's, as I say, it has a lot of challenges but a lot of opportunities.

Mr. Phillips: — Okay, well there are approximately 600 registered outfitters in the province, and its various combinations, but it's either, and/or fish, birds, or big game. And there's a distinction in the . . . I'll just work perhaps through each of those.

In the case of big game, it primarily occurs in the northern provincial forest. And for big game outfitting there's approximately 300 licensed big game outfitters. Typically their clientele is non-residents of Canada. Non-residents of Canada are required by regulation to use the services of a outfitter for the purposes of big game hunting. White-tailed deer is presently the most attractive opportunity among big game, but outfitters who outfit for deer typically also outfit for black bear, although it's a much smaller proportion of their business.

There's also a much smaller component of the northern big game outfitting program associated with moose, very tightly controlled by quota and largely allocated to existing Aboriginal people, Métis or First Nations people who have been in the business for many, many years.

Bird outfitters primarily operate in the southern part of the province. Waterfowl is their bread and butter, particularly geese. We have some of the best waterfowl hunting in North America. Waterfowl hunters . . . pardon me, licensed waterfowl outfitters are allocated to a maximum number per wildlife management zone. So we have a maximum of 10 per wildlife management zone.

There is no legislated requirement that non-residents of Canada use the services of a waterfowl guide. Many do; that is the core of the waterfowl outfitting business. They also often provide upland game bird hunting opportunities coincidental to the waterfowl outfitting, so they'd maybe do that in the afternoons.

But there's not . . . and I'll go back again to the big game. In the northern forest, outfitters operate within what are called assigned outfitting areas, so they have a unique, exclusive territory. That was established in the late '90s.

In the previous period as the industry grew, they were overlapped with each other which led to pressure from the industry to resolve that. Within each big game outfitter's AOA [assigned operating area], they have a quota of licences. And we're in the process of working through what the long-term best quota should be for the needs of the industry and also for the capability for the forest to produce trophy bucks which are the main item of demand. The Saskatchewan Outfitters Association and the department recently signed a memorandum of understanding. The Outfitters Association is the main representative with which we work to resolve their issues.

And just to sort of finish the 101 in the fisheries side, most of the fish outfitting occurs in the North obviously and with the most significant operations being in the more remote locations in the North. As I say, I think it's roughly 150 fisheries operators, but it mixes in a way that an individual outfitter at Tobin Lake, for example, might be licensed for all three if they have that type of resource in their area.

Mr. Hart: — Good, thank you. Of the almost 600 registered outfitters, I guess, is it a requirement that an outfitter be resident of this province? If . . . well, first of all I guess maybe just a quick yes or no on that question.

Mr. Phillips: — No. No, it's not a requirement.

Mr. Hart: — So anyone from anywhere can apply to be an outfitter in this province, is that . . .

Mr. Phillips: — It varies by . . . If we could talk about fish maybe to begin with. A number of established outfitters over the years with fishing camps have sold their operations to other operators, some of which are American, most of which however are Saskatchewan operators. I think it's approximately 10 per cent are owned by American interests on the total of 600.

Mr. Hart: — Oh, okay.

Mr. Phillips: — So it's not a requirement. In fact, we're advised that under the provisions of the NAFTA [North American Free Trade Agreement] agreement, an agreement on internal trade, that it would not be possible to administrate.

Mr. Hart: — But the department does track who these outfitters are, and as you indicated about 10 per cent of the 600 are Americans. How many out of province . . . or I guess Canadians, would also be outfitters from other provinces?

Mr. Phillips: — A rough estimate is 15 per cent.

Mr. Hart: — About 15 per cent. And then the remaining would be Saskatchewan-based, and owned and operated by Saskatchewan individuals or companies.

Mr. Phillips: — Yes, and many of the northern outfitters actually have . . . like their residence may be in Saskatoon or Regina or Saskatchewan Landing. You had also asked about the term of the licence. It's an annual licence, renewed annually.

Mr. Hart: — And so it's reviewed annually but an outfitter isn't given . . . Like particularly with the big game where they have defined areas, they don't have initially or at any time a

term for five years, but which is renewed annually. It's just every year they reapply and reapply for the same area.

Mr. Phillips: — It is the same area every year, and it's a reissuance of their licence. And under the work plan of our memorandum of understanding with the Outfitters Association, moving to adopt a longer term licence is one of the items that the SOA [Saskatchewan Outfitters Association] has asked. The department doesn't see major impediments to moving to a five-year term, which is what the SOA has identified as . . .

Mr. Hart: — But up until this point in time there never have been five-year terms for contracts for outfitters?

Mr. Phillips: — No, but I'd also add that for most outfitters, there's no uncertainty that they would receive their next year's licence. Unless there was a major problem, you know, a major contravention of the law or failure to act lawfully there wouldn't be grounds . . . or a population problem in the resource that they're harvesting. There'd be no reason to not issue the licence.

Mr. Hart: — If an individual or a company who has never had an outfitting licence wants to get into that industry, how would they accomplish that? Does the department issue . . . In areas other than the big game area, would you issue more licences, or would they have to purchase an existing business? How would an individual or company enter the industry?

Mr. Phillips: — Under the present laws where outfitting is allowed and so on, the normal practice would be for an outside person to buy an existing business. And there is a fairly regular turnover each year, not a large fraction, but there's enough of a turnover that the real estate business is able to appraise the value.

In a sale of an — just sort of additional background — in the sale of an outfitting business, what's actually sold are any improvements, buildings or, you know, equipment and the client list. The actual resource allocation is at the discretion of the minister. But unless there are, you know, significant resource management concerns or other considerations, it's quite typical for the new owner to receive the allocation and the licence.

In the case of waterfowl outfitting in the South, it's slightly different. Guides may be employees of an outfitter and, you know, they need to be under the control of a licensed outfitter. But the number of people engaged in the outfitting activity has increased over the past 10 years by increasing the number of guides, but it hasn't increased the number of outfitters.

Mr. Hart: — One quick question and then my colleague from Biggar, I believe, has a couple of questions. What type of revenue is generated by the issuance of outfitting licence for the department? Approximately.

Mr. Phillips: — Very rough would be \$1 million, \$1 million.

Mr. Hart: — One million dollars? No, that's fine. Perhaps maybe you could provide that at a later date, the more exact figure. That'd be fine.

The Chair: — Mr. Weekes.

Mr. Weekes: — Thank you, Mr. Chair. Mr. Minister, just a question on the Saskatchewan oil sands, potential on the oil sands project that is taking place in the North.

Oilsands Quest has a lease in that area, and we asked questions concerning that in the previous estimates in Industry and Resources. The question they said to ask you, or our question was to you, as the Environment minister, was: has Oilsands Quest asked for a surface access application?

Hon. Mr. Forbes: — At this point I don't know, but I'd ask . . . not that we're aware of, no.

Mr. Weekes: — Thank you. I'd like to move on to the TransGas cavern project in the Vanscoy-Asquith area. Could you give me an update on the status? When did pumping start and what has taken place?

Hon. Mr. Forbes: — Well maybe I'll just . . . you may have known that based on the SRC [Saskatchewan Research Council] report that we received at the beginning of March — and that the Grandora citizens had seen at the beginning of March as well — based on that report, we issued an amendment, amendments to the licence, and that was issued on March 17. The date that they actually start pumping was that date or shortly thereafter . . . the next day.

They are still pumping, but as you know . . . you may know that this is before the courts right now. There is a group of citizens who had applied for an injunction. That was heard a week ago this Thursday, seven days ago. The judge has reserved judgment, so we are waiting to hear what the judge says. So that's what I can say at this point.

Mr. Weekes: — Thank you. Well as you mentioned, the research council concluded that from a hydrogeological perspective, pumping may resume at the planned rates and with some additional precautions. I guess my question is the people in that area would not agree with that.

As you know, they've gone to court and, you know, they're saying that the planned rates are going to leave them short of water. And your department has given an amended approval. Now I'd like to know, you know, at what level of problems to the local residents will that amended approval kick in and reduce the pumping rates.

I mean, I've been to many of the meetings. You know, you're well aware of the situation. The people in that area still have many problems with their water supply and quality, quite frankly. And I guess the question is, to what level of pumping would satisfy their needs?

Hon. Mr. Forbes: — I would say this, that we were at a meeting. And I was at the meeting and met with citizens. And Mr. Dybvig was there, as well as an engineer from TransGas and we talked about this.

But a group of people from Grandora has proceeded with a court case. We will wait to hear that. At the same time that pumping is going on right now, so is mitigation. And that's our

role — to make sure that mitigation does take place. And so we will await to hear what the judge says.

Mr. Weekes: — Well you brought up a very important item. I've been saying this right from day one. Mitigation is the big concern, and the residents in the area just don't feel that it's been adequate.

We all understand that cavern needs to be built for the purposes of storing natural gas with the city of Saskatoon, but it's obvious it's on the backs of these local residents. And there's been a lot of talk about mitigating the concerns of the wells. And you know, there's been a 1-800 number set up.

But whenever I talk to those people and when they phone me, they are not satisfied at what your government is doing as far mitigating their water concerns. And it seems to be a big gap in what you're saying you are doing or will do and what's actually happening on the ground.

Hon. Mr. Forbes: — Well I would say that simply the case is being heard, and we'll take our direction from the judge when the result comes down.

The Chair: — Thank you very much, members. It is past 5 o'clock, which is adjournment time.

And I know we'll want to come back to this issue and others at another day. So this committee stands adjourned. I've very sorry. I know that members of the opposition and myself would like to thank the officials for their diligence today and their attendance to the committee. Mr. Weekes.

Mr. Weekes: — Yes. I'd like to thank the minister and your officials, and we will certainly return to these topics again.

The Chair: — And now it's really past 5 o'clock. Mr. Minister.

Hon. Mr. Forbes: — And if I could join in, in thanks and appreciate the questions and we will look forward to further questions as we clarify . . .

The Chair: — Thank you very much.

Hon. Mr. Forbes: — Thanks.

[The committee adjourned at 17:01.]