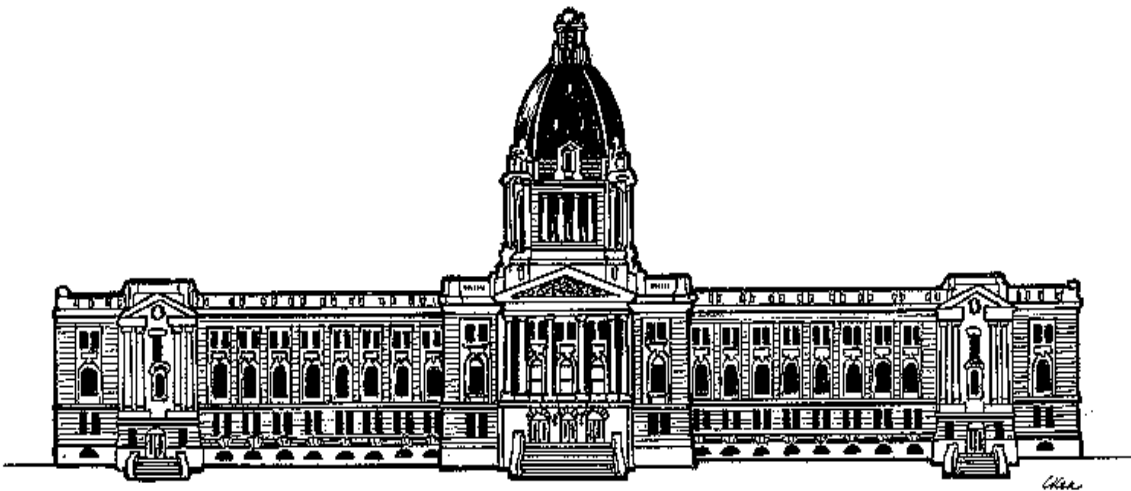




STANDING COMMITTEE ON THE ECONOMY

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Legislative Assembly of Saskatchewan

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**STANDING COMMITTEE ON THE ECONOMY
2005**

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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: — Good afternoon, everyone. We are back in committee this afternoon and we have two orders of business, two items before us today. We will begin with the Department of Industry and Resources, and we will move at about 4 o'clock to the Department of Labour.

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

Subvote (IR01)

The Chair: — If I could, Mr. Minister, I'd ask you to introduce your officials to the committee, and we will begin the deliberations.

Hon. Mr. Cline: — Thank you very much, Mr. Chairman. To you and members of the committee, good afternoon. I'm pleased to be back in front of the Standing Committee on the Economy and again to introduce my officials from the Department of Industry and Resources. Sitting to my right is Larry Spanner. He is the deputy minister of Industry and Resources. And sitting to my left is Bruce Wilson, assistant deputy minister of petroleum and natural gas. And then with us also today, sitting behind us are Debbie Wilkie, the assistant deputy minister of industry development; Jim Marshall, the assistant deputy minister of resource and economic policy — he's in the middle; and Hal Sanders, the executive director of revenue and funding services. And sitting behind them is Dr. George Patterson, the executive director of exploration and geological services.

Mr. Chairman, when we were here almost three weeks ago, I had the opportunity to provide members of the committee with an overview of the mandate and activities of the Department of Industry and Resources. I noted that this year's budget provides the department with the tools it needs to work with business to expand key sectors of the economy.

I summarized a number of the programs and initiatives in our department's budget. I also noted program areas where we had received increases, areas such as the Western Economic Partnership Agreement, our geological core lab, and the ethanol fuel tax rebate program. I also used the occasion to speak generally about the Saskatchewan economy, an economy which by all indicators is operating very well; and I would say as a matter of fact, it's on a roll.

Following my overview statement we then entered into a healthy discussion around a number of topics related to the economy and the estimates under consideration. We continued our discussion from that day's question period on the taxation of resource trust. And we had a healthy debate on the overall competitiveness of our oil industry.

We also answered a number of questions from committee members about a company doing oil sands and oil shale exploration, about the department posting geo data information online, and about the department's staff complement, capital assets, and business development expenditures.

We then entered into a general discussion on oil revenue forecasts, royalty rates, and capital investment intentions. It was a good, vigorous discussion, and I look forward to a discussion today that is just as lively and productive as we continue our deliberations on the estimates of the Department of Industry and Resources.

I thank you, Mr. Chair, and members of the committee.

The Chair: — Thank you very much, Mr. Minister. The first item . . . and I guess we'll find the estimates on page 87 of the Estimates book, and we are now debating (IR01). Is that agreed?

An Hon. Member: — Agreed.

The Chair: — I would entertain . . . [inaudible] . . . I think we'll go back on that, members. Mr. Stewart, you have the floor.

Mr. Stewart: — Thank you, Mr. Chair. Mr. Minister, I'd like to thank in advance the officials for being here today. We appreciate the contributions you make when we ask these questions. We understand that no minister, no matter how confident, can know all the answers, and we do appreciate your help.

Mr. Minister, at the recent Centennial Summit, one of the recommendations that came out of that was that the government enact a regulatory review and reform process. Has any progress been made on this, or is there anything actually planned in a concrete way?

Hon. Mr. Cline: — Yes. Well I should say, Mr. Chair, to the member that we are actively examining the regulatory review file. And I should say there has been an ongoing process which goes back several years, I believe to approximately 1996 or '97. But I may have that date wrong.

But it started under Premier Romanow, where the government set a target of reducing the number of regulations by a certain percentage. I believe it was 25 per cent. And I believe that as of this year, we actually have in fact succeeded in reducing the overall number of regulations, since that review started, by 25 per cent. And I'll undertake, Mr. Chair, to get the exact numbers to yourself and members of the committee.

But we've been reflecting on this process, and my department officials have already advised me that perhaps what we should be proposing to government is not simply an examination of the number of regulations, but substantive review of the efficacy, if you will, or efficiency, if you will, of regulations. That is to look at the regulations with the view to not just reducing their number, but examining whether there are ways to make processes easier and simpler for people to transact business in Saskatchewan.

And so we're in the process now, and I may ask my deputy minister to elaborate on the timing, but my understanding is we're in the process now of a proposal being prepared that would come to me from my department, which I would then take to government and of course report to the legislature to

enter into a more detailed review of the regulations. And so I'm sorry it's a bit vague, but we haven't finished this proposal yet. But I'll ask my deputy minister if he can elaborate any further.

Mr. Spannier: — Thank you. I think what we're going to do, as the minister indicated, rather than looking at a numbers approach to regulations we're going to look at the key sectors of our economy, i.e., mining, oil and gas, forestry, value-added, high tech, manufacturing, and specifically focus on the regulations within those sectors that are seen as impediments for further development in those sectors. So that's the approach we're going to take. When can we expect some announcement of this? I would think within the next two months.

Mr. Stewart: — Thank you. Mr. Chair, Mr. Minister, Saskatchewan has probably the highest proportion of business taxes not based on profit of any jurisdiction in North America; it's by quite a bit, too. Not even really close, in my view, to other jurisdictions like Alberta and Ontario. Is this going to be addressed? Now I'm talking about taxes like the PST [provincial sales tax] on legitimate business inputs, corporate capital tax, and property taxes. Those are taxes that businesses pay whether or not they make a nickel.

Hon. Mr. Cline: — Well yes, we're already taking action on this front. As the member knows, and as all members know, Mr. Chair, in the provincial budget that was introduced into the legislature toward the end of March, the Minister of Finance announced that we would have a business tax review. And that review is designed to answer the exact question that Mr. Stewart is raising — that is, is there a way that we can change our business taxes to make them better in terms of economic development.

And although Saskatchewan is very close to the top of economic growth for Canada the last few years, we recognize that we can always do better. And while we've changed many business taxes quite dramatically, and I could certainly detail that for the committee, there's always improvements that could be made — balancing off the need to grow the economy with the need to have adequate resources to pay for important public services like health care and education, which is the responsibility of the provincial government.

But we have embarked upon a review, and I'm sure that all members of the committee would agree that now that we've appointed Mr. Vicq, Mr. Baldock, and the other, third member whose name escapes me at the moment, they will be consulting with the community. They're having hearings throughout the province, I believe, starting next month, and they will be listening to everyone including, of course, members of the legislature from both sides and then making recommendations to government.

So we're not obviously prejudging what we should be doing in the area of business taxes because we have appointed a committee to look at this and to make recommendations, and we're going to respect that process and listen to the public.

Then when we get the report in the fall, it will be the responsibility of the Minister of Finance to review the report and advise the cabinet of what changes should be proposed in the provincial budget. And cabinet will then, you know,

consider the matter along with the government caucus, and the conclusions will be expressed next spring when the Minister of Finance presents the budget.

Mr. Stewart: — Thank you, Mr. Minister. Mr. Chair, Mr. Minister, will that Baldock report be available to members of the legislature, the completed Baldock report, during the fall session coming up in 2005?

Hon. Mr. Cline: — I'm not sure about that because the . . . I would say that would be unlikely. If matters go as they did last time in the sense that, I believe the committee has been asked to report to the government in November or December. And of course it's quite possible that the committee may need more time, so it's quite possible they'll say, well it's not ready till the middle of December or something like that. It's equally . . . I suppose it's possible it might be available earlier. Say if it came in September, then I think the answer would be it would be available to members of the legislature in the November sitting.

But if it comes in November or approximately at the time of the sitting, I'm not sure it would be available. Because the process would be that, once you receive the report, the Minister of Finance and his officials would want time to review the report. And some of the matters are highly technical in terms of revenues and formulas and so on.

Last time, Mr. Vicq reported on personal income taxes. The report came in. We had undertaken that it would be public, and this one will be public as well. But we also said that we would take time to review it, and I believe that took about a month for internal review because of course when we released it, I wanted to be in a position — I was then the minister of Finance — to also speak in an informed way about some of the issues. And so that's why I think the Minister of Finance would want some time to review it.

And then there would be a period of public discussion. Last time it was three or four months, and I would anticipate about the same prior to the budget. And then of course the answer comes along at budget time.

Mr. Stewart: — Thank you, Mr. Minister. Mr. Chair, Mr. Minister, are you saying then that even if this report isn't completed until, say, mid-December, that the government will still have time to act in the 2006 budget to enact changes if any are recommended?

Hon. Mr. Cline: — Well I'm saying that I think the public will expect a response from government, so that the Minister of Finance, I would expect, will outline what the response will be in his 2006 budget. And it may be that, given the nature of the issue which is quite broad and complex, he may well say, here are some areas we are prepared to act on today; here are some areas where we need further discussion, consideration, evaluation; perhaps in some cases even negotiations with Ottawa over taxation matters. That certainly arises once in a while because they collect the income taxes, as members know.

But I can't say obviously what the response would be exactly because we don't know what the report will say. But the point I'm making is, I think the expectation would be that the Minister of Finance would respond to the report in a substantive

way at the time of the budget.

Mr. Stewart: — All right, thank you, Mr. Minister. Mr. Chair, Mr. Minister, you say that the — and naturally so — that the government and the Minister of Finance will want to review this report before any action is taken or even before it's made public. Will the minister give us assurance that the report that's made public will not be an edited version of the Vicq-Baldock report, that it will contain all of the suggestions and ideas that Vicq and Baldock and company come up with in their original report to the government?

Hon. Mr. Cline: — Well I think that is the plan. I can't . . . It's not my department, so it's not up to me to give that kind of assurance. But I think we can all rest assured that that's what will be done because it will be the report of Messrs. Vicq and his peers. So they will expect that the report will be public, and they wouldn't accept any doctoring or editing of their report by government. So I don't . . . I mean, I'm quite sure, even though I'm not in a position to give you that assurance, I think we can all rest assured that that's the way it will have to be.

Mr. Stewart: — Thank you, Mr. Minister, Mr. Chair. Mr. Minister, at the end of the economic summit, of the centennial economic summit, you stood, Mr. Minister, and in your address you noted that you were moving away from most available hours. And I'm pleased to see that that advice was taken. Have you, Mr. Minister, listened to other concerns and labour legislation that were presented at the summit? Is there any move to make labour regulations in this province more business friendly in any other manner?

Hon. Mr. Cline: — Well I remember speaking at the end of the business summit, and I believe what I said was that we had heard a message about the most available hours. I don't know if I said that we were moving away from that issue or necessarily taking any steps at that time. I think that was up to the Minister of Labour and/or the Premier to speak on in that sense.

But I think I said we had heard a strong message about that issue although I also noted it was not a predominant issue as some had predicted it would be. At the summit it was one issue amongst many.

In terms of labour regulations generally, I mean, it is the province I suppose of the Minister of Labour. But I do appreciate that the labour environment is a factor to be considered in terms of economic growth. I believe that what we need to do is always try to take a balanced approach. And from my perspective, we hear criticisms from the business community that our laws are too labour friendly. But we also hear criticisms from the labour community that our laws are too business friendly. And I listen to a lot of criticism, some of it directed at me, that some of the things we've done are too friendly to business.

And since we get criticized from business about labour and labour about business, sometimes I think maybe we're in the middle and doing the right things because we seem to be unable to keep either side completely happy, and perhaps that is just the fact of life that we have to live with.

Mr. Stewart: — Thank you, Mr. Minister. Mr. Chair, Mr.

Minister, did your department establish a baseline for how business felt about the investment and economic environment in this province both before and after the economic summit, and was there any change or improvement?

Hon. Mr. Cline: — No, I don't think we established a baseline as such. But I mean, there are, there are places where one can look in order to see what is happening before and after any given event or time frame. There's the Statistics Canada which puts out an estimation of investment intentions by business. There's the Conference Board of Canada and so on. There are many agencies or the banks that put out forecasts for economic growth. There's all kinds of ways to look at what's happening in the economy.

And the fact of the matter is that if you look at what Statistics Canada is saying, for example, this year as opposed to last year, Mr. Chair, they are saying that this year in Saskatchewan, the intentions for investment in the economy are rising from \$7.5 billion in 2004 to \$8.5 billion in 2005, and that is a 12.6 per cent increase.

Now when you have a 12.6 per cent increase in investment intentions — which is the highest, by the way, increase of any province — your economy is clearly on a roll. And I don't believe that that's as much to do with the economic summit. But certainly the business people I talk to — and I talk to them frequently — are very enthused about what's happening in the Saskatchewan economy. And, Mr. Chair, I hear that on a daily basis from various industries.

The one problem area we have of course is the farm sector, and there isn't a lot of happiness in the farm sector these days because they've had some tough years. But when you move beyond that to the economy generally . . . I go to a lot of business events, and people are very upbeat. So it's very positive, more positive today than it was before the summit, but I don't attribute that to the summit. I attribute that to a variety of factors.

But we certainly have overall obviously a very good business environment in Saskatchewan because we're leading the nation in terms of investment intentions. And we had in 2004, 3.5 per cent growth in our economy, and the year before it was 4.5. So we're doing very, very well.

Mr. Stewart: — Thank you, Mr. Minister. Mr. Chair, Mr. Minister, I'm sorry I was not at the economic summit, but I presume that there were a number of businesses and industry represented. I think I can likely take that for granted.

Does the government and your department in particular have any feeling of how satisfied business was by the conclusions at the summit?

Hon. Mr. Cline: — Well I said at the summit, Mr. Chair, and I really meant it; I had never been at a conference or seminar, something of that nature — and I've been at many of them — where there was more enthusiasm and general agreement that it was a very well organized, enjoyable, and informative and worthwhile summit.

I noted in my remarks, to general agreement with everyone

there, that I had never been at a meeting before where not once did the chairperson have to say to people, you know, would you please keep the noise down, or would you please take your conversations outside the room? I mean, we've all been to meetings where that is said, because most of the time when the presenters were presenting the information they were presenting, everyone was paying very close attention because of the quality of the presentations. And there was wide representation from all sectors of the economy. And the presenters were very excellent. One of the reasons why the summit was so well received by those there was that it was very clearly a very honest exercise.

What do I mean by that? What I mean by that is that some of the presenters got up, and they were generally supportive of provincial government policies in their area. For example the oil and gas sector said, you know, generally speaking we think that the set of policies the government has are beneficial to allowing growth in this industry. Similarly the diamond people said, we think the government is doing the right things to develop a diamond mining sector in Saskatchewan. But in contrast of course, there were some who, I think, and I respect their views, they got up and said, the government isn't doing the job we think it should be doing in our area.

And so it was clearly a conference where people were free to get up and say what they wanted, and where what they said was not vetted or approved in any way by government. And I think people could see that. And the people that were at the conference had very respectful but frank exchanges of views. And you had the labour people and the business people and the farm people all sitting down together and trying to have a respectful dialogue about issues of economic development because everyone there had one goal in mind. And that goal was continuing to build our province to create more opportunities, and especially opportunities for young people.

And so it was, it was very, very well received, and we got many positive comments from the participants at the summit.

Mr. Stewart: — Thank you, Mr. Minister. Mr. Chair, Mr. Minister, based on the feedback from the summit and the feedback that came out of the summit, has your department or your government taken any other measures besides the business tax review that may impact on economic development in the province?

Hon. Mr. Cline: — Yes. Very significantly, I think, Mr. Chair, I undertook on behalf of the Premier at the end of the summit to ask the Department of Industry and Resources to review our economic development strategy, the *Partnership for Prosperity*, which is a public document, in order to fully take into account what we had heard at the summit. We had heard suggestions, and we wanted to listen carefully to those and to update our economic development strategy.

And I would say that in any province or in our country, it's important every so often to examine your policies and your strategy and to take into account any circumstances that may have occurred and to update. And so I undertook on behalf of the Premier that our department would do that. And in fact at the present time, we are in the process of preparing an economic development paper which I hope will be released later this year.

But of course in preparing it, we're going to be consulting with various stakeholders, and so we're undertaking that process. But I think that's a very significant development.

As well, the Minister of Finance took into account many things we heard in the summit in preparing the last provincial budget. One of the emphases of the last provincial budget was education, training for young people. And in several ways more is being done in that area. And that is one of the major themes that emerged from the summit . . . was the need to ensure adequate training for the economy and adequate training for young people. And so we wanted to beef that up in the budget. And that's one example of what came out of the summit, although there are certainly others.

Mr. Stewart: — Thank you, Mr. Minister. Mr. Chair, Mr. Minister, of the 10,000-odd jobs, job increase since last March, a year ago, that your department has talked about, can you, Mr. Minister, provide a breakdown of those jobs as to full time and part time?

Hon. Mr. Cline: — Yes I can. We have those numbers. I don't have them in front of me right at the moment, but we'll see if we can get them. They are . . . I'll just take a second here.

Yes, perhaps what we might do is . . . I'll ask the officials to get those numbers, and maybe we could deal with another question while we get the numbers.

Mr. Stewart: — Certainly, it may be related as well, Mr. Minister. Mr. Chair, Mr. Minister, could you, Mr. Minister, provide a breakdown of these jobs also by sector — that is, manufacturing, agricultural, etc., retail, and so on?

Hon. Mr. Cline: — Yes. Yes, we have that information. I'll just ask the officials to bring that forward as well.

Mr. Stewart: — Thank you, Mr. Minister. Mr. Chair, Mr. Minister, also would the department have information regarding average salary of these positions?

Hon. Mr. Cline: — Average salary. I don't believe we have that information available. We do have the sectors — so many more jobs in construction, for example — but we wouldn't have the salary for the new jobs that have been created in the last year. Although certainly we could get information as to the sorts of salaries in each sector, but not necessarily related to those very jobs. But they should be consistent.

Mr. Stewart: — Thank you, Mr. Minister. Mr. Chair, Mr. Minister, I wonder if you could provide us some more detailed information on how the new growth tax incentives to the potash industry actually work and which taxes they affect and so on. I understand the potash industry is reasonably pleased with that initiative and kudos to your government for initiating it. I'd just like to know more detail.

Hon. Mr. Cline: — Yes, I'd be happy to provide that detail, and then hopefully after that I can provide the numbers for the other questions.

What we did quite recently was to make two changes in the area of potash production. The first is that there is a base royalty tax

on production of potash. And we said that if you expanded your production, that I believe it's beyond 200,000 tonnes of expansion, then beyond that you would not pay the base royalty tax. So that would be a tax holiday. And the intent is of course to increase production.

Now I should say to anybody who may think the potash companies thereby don't have to pay any tax on their increased production, that that would not be the case. They still have to pay income taxes, they pay capital taxes, they pay sales taxes, and so on. But we have taken off one tax, and of course this followed extensive discussions with the industry, and they felt that if they got that tax holiday that would give them sufficient incentive to expand. And that's what they're doing.

We've had announcements of somewhere close to about 600 million, I believe, but I don't think that will be the end of the expansion. I think that companies will make other decisions in due course which will be announced.

Then the second part of it was an issue of capital depreciation. And essentially we said that if you invest in new capital construction, that is to expand the mine, for example, and you're building and buying equipment, that you can apply a depreciation rate of 120 per cent to that construction. And again that doesn't mean that we pay 120 per cent of the cost of the construction. As I understand it, it means at the end of the day by the time they pay their taxes that they might get a tax break of about 40 per cent of what they invest in an expansion. And our view was that if we give them an encouragement to spend money on expansion of the potash mines or retooling — because we have to bear in mind that some of these mines are more than 40 years old — then generally speaking we'll have an upgraded and expanding infrastructure for potash mining in Saskatchewan.

And of course one of the wonderful things about a potash mine which is very, very expensive to build . . . Well any mine is very expensive to build. You're talking about hundreds of millions, and in some cases billions of dollars, to build a mine. But in the case of these kinds of investments, one of the wonderful things, I think, is once you have a mine, nobody ever picks up that mine and moves it to Calgary, for example. It's here. And so these are tremendous investments in our economy.

And so two things — the holiday, the base tax holiday on the increased production, and then the enhanced depreciation support for capital investment. And those two things which actually follow on other changes we've made to encourage growth in the potash sector, they will, everyone agrees, spur a lot of economic activity in Saskatchewan. And our goal is to keep Saskatchewan the number one potash producer in the world. That is what we are, and that is what we intend to do. We want Saskatchewan to be the dominant world player in potash, and so we're taking steps to ensure that that remains the case.

Now with that I should say that the information that the member asked for before . . . In terms of full-time employment, as of March of this year, last month, it was up by 10,600 from March of 2004. Part-time employment was up by 2,700 over the same period. So we had 10,600 more full-time jobs and 2,700 more part-time jobs, for a total of 13,300 new jobs in that year.

I can also tell the committee, Mr. Chair, that youth employment was up by 2,700 and employment . . . of those . . . Yes. It was 2,700 new youth jobs and, well obviously, the rest of the new jobs were people that were over the age of 25.

Okay. And then, the sectors where the increases in jobs occurred were: manufacturing was up by 1,700; construction was up by 2,000; transportation, warehousing, and utilities were increased by 2,300; retail and wholesale trade rose by 5,800; services by 3,100; and public administration by 2,900.

Now if you added all those up, they'd add up to more than the 13,300 jobs, because in a few sectors the numbers of people working went down. Agriculture went down by 2,100; real estate by 500; and the resource industries by 2,100.

Mr. Stewart: — Thank you, Mr. Minister. Getting back to that — and thank you for that answer and thank the officials as well — you mentioned 2,900 public administration jobs. Can we pinpoint where those jobs are going, those positions are going? Is it . . . I presume that the vast majority of this is provincial government. I guess I'm looking for some more information on that.

Hon. Mr. Cline: — We don't have those numbers. But this number would, it would actually be all of the federal, provincial, municipal, and I think health board and education people in the province. And I think if you add up all those people for all three levels of government in, you know, the RMs [rural municipalities], the cities — everybody — you're talking about a figure of, I'm sure it's a couple of hundred thousand people.

And one thing I've noticed about these numbers over the years is, last year — I think at some time similar to this — if you looked at the public administration numbers, they'd gone down by 1,200 or something like that. They seem to swing around a bit. But in our provincial government, I can tell you that there aren't 2,100 more people. I think as a result of the budget, there's something like 175 new people. So where these 2,100 people are, I can't answer and we don't have that information. This is from Statistics Canada. They give us this global figure, but I can tell you that it reflects everybody in the public sector.

And the other thing that may be a bit misleading about the term, public administration, is it doesn't mean administrators. It can mean anybody — a nurse in the hospital, a teacher. I mean, people that are delivering front-line services but they work in an area that is administered publicly. So that's the best I can do.

Mr. Stewart: — Thank you, Mr. Minister. Mr. Chair, Mr. Minister. Mr. Minister, you mentioned the 120 per cent depreciation on new construction in the potash industry and that seems to be effective. Over how many years, or at what percentage per year, can a potash company take that depreciation?

Hon. Mr. Cline: — I'm going to have to ask someone. I'll ask Mr. Marshall perhaps to answer that question.

Mr. Marshall: — They would be allowed to take a, to count any capital expenditures at 120 per cent against their expenses in calculating their tax liability. So basically their capital

expenditures are grossed up.

Now they may not be able to use that to offset all tax liability in one year, but normally that would be the case and then they would just carry forward till it was used up.

Mr. Stewart: — Thank you, sir. I think that answered my question. I wondered if it was like that or if it was just a maximum percentage per year over so many years.

I'm gathering that if they spent a certain number in 2004 tax year, that they would be able to claim 120 per cent . . . or in 2005 tax year, they'd be able to claim 120 per cent of that particular number and it wouldn't be spread over several years.

Mr. Marshall: — Only if they needed to, but that's correct. Normally they would be depreciating their capital at a rate of around 30 per cent, I believe. But I think it's normally over three years, but now it's basically counted immediately.

Mr. Stewart: — Thank you. Mr. Chair, Mr. Minister, after the . . . since the success — and I concede that this initiative to the potash industry appears that it will be successful and it's a new growth in tax incentive — so since the success or apparent success of that in the potash industry, will your department be looking at similar incentives in other industries?

Hon. Mr. Cline: — Yes, we are constantly looking at similar incentives elsewhere, and certainly currently we're doing that. I don't want to get into necessarily all the details of everything we're doing today because we have some discussions ongoing that we hope to lead to positive announcements in the future.

But we have taken a similar approach, for example, really in oil and gas. And this goes back several years where a variety of changes have been made in oil and gas throughout the 1990s to attempt to incent more development. And I won't go into all the details unless the member wishes me to, Mr. Chair, but suffice it to say that we also have made changes to try to move oil and gas production up. And, you know, we've seen it doubled, so it seems to be working.

There are many other areas where tax changes have been made. There actually is a list I could provide the committee with that is three or four pages long of all of the business-friendly tax changes that have been made in the last 10 years. It's really quite amazing when you start looking at all of them. But to answer the member's specific question, yes, we think we should seek ways to change taxes where we can to bring about more development, and this is what we have been doing. And certainly we will continue to do it in large and small ways.

Just to give an example of a small way, by the way. There was a time when aviation fuel tax was 7 cents per litre. And then that was reduced to three and a half cents per litre, and the idea was to try to build up the sale of aviation fuel in Saskatchewan. As an industry it's a small industry, but nevertheless there are companies and employees that depend upon that industry for their livelihood.

And when we went to 3.5 cents per litre from 7, the consumption of aviation fuel in Saskatchewan did increase. That is, you got more large companies — airlines — coming in

and refuelling in Saskatchewan instead of just in Winnipeg and Edmonton or Vancouver. And in the recent budget, the Minister of Finance announced that that aviation fuel tax went down to, I believe it's one and a half cents per litre. And, you know, I believe that the result of that will be you'll see that industry grow to some extent.

Now that's kind of a smaller example than obviously a potash mine, but nevertheless we are open to these kinds of approaches. And where industry and government can work together to demonstrate that the tax can be changed and even lowered, but we can have more activity which then generates more tax — we're quite open to that approach and have been taking it in some areas. And I would say we will be taking it, if we can, in a few other areas.

But I will also say this. It is usually very complex and time-consuming. I realize that to many people, and perhaps even to myself if I wasn't involved in this way, I might think, well if it's that simple, just do it. But actually what happens is that, for the oil changes for example, discussions went back and forth on the latest changes.

Well, Mr. Chair, as you would know because you were the minister of Energy at the time, for a year and a half or two years, I think, you know, where they would model things suggested by the Department of Finance, and then — and Industry and . . . well, Energy and Mines at that time — and then they would make suggestions that similarly would have to be modelled at the government end. And my impression was that these things took a lot of time.

The discussions with the potash industry also took a lot of time. And it wasn't because anybody was dragging their heels. Both the industry people and the government people were doing a very diligent job, but they're dealing with very complex matters.

And so, sorry to be so long-winded, Mr. Chair, but in answer to the member's question, yes, we generally are looking for these approaches.

Mr. Stewart: — Thank you, Mr. Minister. Mr. Chair, Mr. Minister, I'm quite aware of the changes that were made to the oil and gas tax incentives during the 1990s, as I was the critic and Mr. Chair was the minister in those days. And we used to have healthy discussions about those things. And I think generally I was complimentary about them; I think that those were steps in the right direction.

Mr. Minister, in general has the corporate capital tax been considered for incentives, a reduction in corporate capital tax been considered specifically for incentives for industry to make, to enter into major construction projects in the province?

Hon. Mr. Cline: — Yes. In fact for oil, the oil and gas sector, it was reduced from 3.6 to 2 per cent as part of the 2002 changes. These weren't the most recent changes, but so certainly that approach was taken for them. And it will certainly be considered by the business tax review committee as well. They will be looking at the corporate capital tax.

And of course the other thing we did was we totally exempt

businesses that have capital of under, it used to be \$10 million, from the corporate capital tax. And we have increased that exemption to \$15 million. And I believe consideration is being given to raising it to \$20 million. But I don't know if any definite plan has been announced in that regard. But this has been publicly talked about in government circles as a long-term plan, in any event.

Mr. Stewart: — Thank you, Mr. Minister. Mr. Chair, Mr. Minister, you mentioned agriculture more or less in passing. And agriculture is in a bit of a tailspin, and one of the problems of course is BSE [bovine spongiform encephalopathy]. And with the border closed to live cattle and beef from animals over 30 months of age, it's creating a very difficult situation. And one of the obvious solutions to that is the establishment of a larger packing industry in Western Canada, and hopefully in Saskatchewan.

I'm wondering if, Mr. Minister, you or your officials have been in discussions with groups wishing to build substantial-sized, competitive packing plants in Saskatchewan. And if so, are there offers of tax incentives on the table for these people? Clearly they have to compete with Alberta, where most of the packing industry is, and the vast majority of the feedlot industry. It's kind of a little bit like pushing a rope uphill to get them to come here anyway. I'm just wondering if specific offers of tax incentives, and particularly on corporate capital tax, have been offered to these people who are willing to invest in the province.

Hon. Mr. Cline: — Yes, Mr. Chair. Our department has been involved in discussions with various proponents of meat-packing development in Saskatchewan. And I should say that in doing so we are always acting in concert with the Department of Agriculture and Food, because of course in Saskatchewan, because of the large nature of the agriculture sector, we share the mandate of food production as part of industry with that department. But we have been involved in discussions with different proponents of meat packing and will continue to be so. And we do share the member's desire that there be enhanced meat packing in Saskatchewan.

I don't want to, at the present time, discuss the details of, you know, anything that may be on the table. But suffice it to say that we're doing everything that we can to try to pursue opportunities to grow the meat-packing sector in Saskatchewan. There are challenges, as I know the member is probably better aware than I am because he himself is experienced in the beef production industry, I believe.

The challenge of course being the huge consolidation of that industry in a few centres, and most notably in the United States. And the difficulty, when looking at this file, is that the players are so big and the economies of scale are such and the margin so small that there are challenges in terms of contemplating competing with some of these folks, especially in beef packing.

And then there is the frustration of not knowing when the American border is going to open to Canadian cattle, which will have the impact of . . . if we built, for example, in the short term, enhanced beef packing industry here and if the border opened and we were undercut by the big players in the US, it could be very difficult. And most people agree on that potential

difficulty.

So it's not an easy file, for sure. But nevertheless, we're pursuing it and asking questions — like, are there niche markets, particular cuts, you know, particular areas like organically fed cattle and this kind of thing where there could be some development. And I don't want to suggest that these things are impossible. Certainly, we have increased pork production in Saskatchewan. We would like to see continued healthy processing. But as I say, it's a difficult file with a lot of challenges.

But to answer the question, yes, we are involved in discussions and we are seeking ways to grow this industry.

Mr. Stewart: — Thank you, Mr. Minister. Mr. Chair, and Mr. Minister, without being specific — and I'm not asking you which companies or groups you've been talking with — but there are, I know that there are a number of community-based organizations interested in building packing plants in the province if they can.

I guess what I'm asking you is have you had — and the answer to your last question leads into this, about the competitiveness of the industry and the size of the players in terms of economic clout — have you had discussions with any major corporations already involved in the packing industry about building in this province?

Hon. Mr. Cline: — Yes, we certainly have. When we have, you know, major players in the province already, I mean we're certainly sure to not only include them in any specific discussions but we want to keep in touch with them on an ongoing basis to monitor the health of their sector and what's happening because it's important from a jobs perspective and also very important from the point of view of the agricultural producer. So yes, we definitely talk to the large players that we already have in the province on a fairly regular basis.

Mr. Stewart: — Thank you, Mr. Minister. Mr. Chair, I see that it's nearly 4. If I can squeeze one more question in, I would like to do that.

Mr. Minister, irrigation is most likely considered to be an agricultural industry by your department or an agricultural venture by your department, but it's very much related to economic development. And in fact that's how Alberta actually built their feedlot sector and their packing industry, is that they created incentives for irrigation some 40 years ago, and the irrigation areas were developed and the feedlots sprung up around them. And then, because they had the feedlot industry in the country, they got the packing industry.

Is your department involved in any way in trying to further develop the irrigation industry in this province?

Hon. Mr. Cline: — Mr. Chair, no. The answer to that question is no. In this province it is clearly under the authority of the Department of Agriculture and Food and I don't believe we have any involvement in the area of irrigation, and I certainly personally have not.

Mr. Stewart: — Thank you, Mr. Minister. And, Mr. Chair, Mr.

Minister, I think my time is up and I'd like to thank you, Mr. Minister, and particularly your officials for all the help that you've been today.

The Chair: — Thank you, Mr. Stewart. Mr. Cline and your officials, thank you very much for appearing today before this committee. We will recess for a short period while the Department of Labour officials take their places. Thank you.

**General Revenue Fund
Labour
Vote 20**

Subvote (LA01)

The Chair: — If we could call the committee back to order. We now have the Minister of Labour along with her officials here today to complete our day's deliberations for the Department of Labour. Madam Minister, if I could ask you to introduce your officials and then we can proceed.

Hon. Ms. Higgins: — Thank you very much, Mr. Chair. To my right is the deputy minister of Labour, Bill Craik; to my left is Jim Nicol, the assistant deputy minister of Labour. And seated behind us is John Boyd, the executive director of planning and policy division; Corinne Bokitch, executive director of the Status of Women office; Eric Greene, executive director of labour standards; Glennis Bihun, manager of occupational health and safety partnerships, occupational health and safety division. Also Margaret Halifax, the director of the Office of the Worker's Advocate; and Gail Kruger, the vice-president of prevention, finance and information technology, Workers' Compensation Board; Kevin Kuntz, the manager of budget and operations in the department; and Melanie Baldwin, registrar, Labour Relations Board.

The Chair: — Thank you very much, Madam Minister. The estimates then are found on page 102 of the Estimates book, and the first clause is (LA01). I'm assuming, Mr. Krawetz, you would like the floor. And so the Chair will recognize Mr. Krawetz.

Mr. Krawetz: — Thank you very much, Mr. Chair, and good afternoon to you, Madam Minister, and your officials. Madam Minister, the last time we had the opportunity to discuss Labour estimates, we spent quite a bit of time on WCB [Workers' Compensation Board] and the report. And of course since then we've had the 2004, the report that was anticipated that . . . at that time.

Madam Minister, the first, I think, comment that I'd like to make is that the financial position of WCB has changed dramatically due to, I think, a very significant contribution of employers. I note that the amount of premium charged to employers for the 2004 was increased by 12 per cent, and that a substantial amount of money has, you know, arrived in the way of premium. And as stated in the briefing notes, of course there are only two sources of revenue for the WCB, and that is investment income and premium revenue — and the employers have done their share.

The other part, Madam Minister, and you made some reference to this and so did Mr. Federko, is that there's an anticipated

reduction of claims. There's an anticipated significant savings of dollars in the goal of a 20 per cent reduction in the amount of claims. And you've also indicated that primarily is going to be due to a safer workplace, which is great.

Could you indicate some of the action plans that the WorkSafe Saskatchewan has put in place that have contributed directly to at least a 10 per cent reduction . . . is what I'm seeing in your report for 2004, that you're on your way to a 10 per cent reduction. The number of claims has dropped significantly. So I'd like to hear from your officials as to the significant programs or changes that have been collaboratively developed with employers that you believe are contributing to at least a 10 per cent current reduction in the number of day-loss claims, as well as future projections as well.

Hon. Ms. Higgins: — There's a number of things. And this is a very good question because it's very important, I believe, not only within the department, but in workplaces right across the province. And it has a huge effect on WCB in the long run. In 2002, I believe — and I'll be corrected if I'm a little bit off on my year here — we released the action plan for occupational health and safety . . . healthy and safe workplaces.

And it really has about five points to it that are very important. One of them is increasing the workplace inspections, also providing information and technical advice to employers. Also there is improvements and more help for the occupational health and safety committees within the workplaces — better education, better enforcement, better compliance. It's a whole package. That actually led into and was done in conjunction with WorkSafe Saskatchewan, which is being promoted by the Department of Labour and the Workers' Compensation Board, where we look at the higher risk industries and employers that have a higher injury rate.

And we're really focusing on those areas, offering . . . not just coming down with the big stick, but offering education, technical advice in the workplace if there are improvements that could be made in the workplace to avoid injury and prevent injuries that have been occurring. So it's ongoing support in that area.

But also looking at the awareness issue, that's also very important. And you've probably noticed some of the advertising that has gone on, the promotional and informational billboards that have been out, radio, in newspaper print ads. And this also is to give people the reminder that safety is important, not just on the job, but we want people to be aware of safety and be aware that this is something in our attitude that we just carry with us — not only at work, but in our day-to-day activities, whether it be recreation or in our homes.

So I think it's a number of things: increased inspection, focusing on the higher risk workplaces, technical advice, awareness campaigns, compliance, and also enforcement. And I think you may have noticed that there has been more cases that have been taken to . . . that have been prosecuted over the last while. And this is partly because we now have a dedicated prosecutor that works with WCB and occupational health and safety, the Department of Labour, to focus in this area. And it really gives us, gives a number of advantages that cases can be developed in conjunction with a prosecutor. We have a

prosecutor that's dedicated in this area, will develop an expertise in the area of occupational health and safety.

But it also stresses the importance that this is important to workers and employers in the province of Saskatchewan, that safe workplaces are more productive. It affects the bottom line where you will see the benefits of safety initiatives within the workplace. And it's a culture that we need to develop and work towards developing even further in the province to reduce injury numbers.

And that also leads into the WCB where you will see dollar value reductions. I mean that will be a direct impact to employers in the workplace when the premiums are reduced because of lower injury numbers, time loss claims, and more pressure being relieved from WCB and work injuries. So it's a personal advantage for our workers being safe in the workplace, but it's also a benefit in the long run for employers in many areas.

Mr. Krawetz: — Thank you, Madam Minister. Madam Minister, to clarify then, when you talk about the number of claims reported in the WCB annual report . . . and I'm looking at the year at a glance page, Madam Minister, page no. 2, the year at a glance in the annual report. The number of claims reported for 2004, you indicated, have dropped due to the kinds of things that you have just outlined. And I note that the number of claims reported has dropped by 1,200. Could you identify whether or not there are specific sectors that have contributed more to that reduction? Is there, you know, better co-operation in certain sectors? Or have you seen an average drop that has contributed to these 1,200 reduction in all sectors? Or can you . . . would you be able to identify whether or not there is one sector that is still a problem, and really haven't seen any reductions?

Hon. Ms. Higgins: — Probably the two industry codes that stand out is the building codes and also the meat processing. There was fairly substantial, 20 to 30 per cent, drops in reported injuries in those two codes. So that probably contributes the most to the overall reduction.

Mr. Krawetz: — You've identified it as a code. Now is there one specific sector or code that you see still increasing in numbers of claims reported?

Hon. Ms. Higgins: — I don't think there's any that are increasing. But some of the levels are high and need to be worked on to reduce those numbers in those areas. But we're not seeing any drastic increases over the last couple of years.

Mr. Krawetz: — Thank you, Madam Minister. Madam Minister, one of the concerns expressed by emergency medical people — the Saskatchewan Union of Nurses and other people working in the health care field — is with regards to medical sharp devices. And I'm wondering, does WCB track the number of claims reported? Of this 37,715 claims that were reported in 2004, would your officials be able to tell us how many of those claims were directly connected to a medical sharps device claim within our emergency medical system or within our health care system?

Hon. Ms. Higgins: — The numbers that I have currently are

from SAHO [Saskatchewan Association of Health Organizations], and there is . . . to a recent SAHO study, the estimate, there was about 700 sharps injuries a year, but many experts believe that those injuries are under-reported.

There's other information and data that we have looked at, that estimate that the injuries of needle sticks could be up as high as 2,000 in Saskatchewan. Now I don't have all of the information here with me right now, but I believe the number reported, where there was time-loss injuries or injuries reported to WCB, was about 267 . . . yes, 250, 260 thereabouts.

Mr. Krawetz: — Thank you, Madam Minister. Madam Minister, I'm glad you indicated that that number of 2,000 is a number, because that's what we're hearing from the various groups that there could be as many as 2,000 claims that are occurring in the entire province.

One of the concerns of course is whether or not we're going to be developing new regulations around medical sharp devices. And I don't know whether you specifically stated that you would be developing regulations or the Department of Labour would be developing regulations that would deal with all sectors that may have those 2,000 claims — whether they be, you know, the fireman or the police officers or EMT [emergency medical technician] people or nurses or whomever. Is this still on your agenda, that you intend to develop regulations and procedures that will change the kinds of medical sharp devices that are used?

Hon. Ms. Higgins: — What we're currently doing and what we've been doing for the last number of months in conjunction with occupational health and safety and the Occupational Health and Safety Council, which is currently doing a review of the Act and the regulations, we have been working on engineered devices, sharps. It goes under many titles and can often be confused as to what is covered under what terminology.

We're working currently on looking at hollow-bore needles and replacing that with an engineered device, mandating its use within the province of Saskatchewan. So the major concern for many people within the health care industry . . . And here again I think it says the instance of puncture wounds or injury in the workplace, when we talk about estimated numbers at 2,000, but yet we're looking at claims at WCB for about 250, a little over 250 of those, that in many cases these injuries are just considered to be part and parcel of the job you're doing . . . when we know in fact that many of these injuries are preventable with the use of engineered devices.

So while it can be very complex and it can be very far-reaching, currently what we are looking at is within the health care sector itself — where the needles would be appropriate, what devices are available, and where would they be most effective in use. And it really gets quite involved when you look at the training that's needed, where these devices should be used, where it may be a hindrance to use these devices. And that really depends on what's available and the type of device you go to.

So we're working our way through that in consultation with the unions that are involved that represent the workers in these fields, and also with SAHO, the Department of Health, the

Department of Labour, Occupational Health and Safety Council. So we've had some lengthy meetings, and there has been a great deal of work that's been done in this area, looking at what can be done, what needs to be done, and which is the best direction to take.

Mr. Krawetz: — Thank you, Madam Minister. I know that there is tremendous concern from all sectors that are working. And I understand that there is also some concern from the health sector people that it is only going to be regulations that'll deal with their sector at the moment. And they're concerned that it has been, you know, your plan of action has been probably reduced in scope as to who you might assist.

Madam Minister, is it true that the actual cost of moving to medical . . . you know, these new devices that will prevent injury and prevent those kinds of things, that as the American states and other provinces are moving in this direction, that the cost in fact is no longer a prohibitive factor?

Hon. Ms. Higgins: — Well I find a great deal of difficulty when you're talking about cost and equating that to injury because you can't look at just the actual number of WCB claims or . . . you have to look at the whole package. Sick time that may be used during the uncertainty of whether you've contracted any type of disease or not, the uncertainty for family, the uncertainty for that worker, the person that would be replacing in that area if you were off sick or off on stress or whatever the issue was — so we have to look at, I think, the bigger picture.

Cost of course has to be taken into consideration. And I would say you're absolutely right, as these devices become more prevalent and are used in a larger area, they're fairly common in many areas of the United States, while Saskatchewan is the first province to move towards mandating their use. Other provinces are also expressing interest. And for the simple reason that if you can avoid injury by using an engineered device, it's more appropriate and more effective than putting in place a protocol for using a device that may have some . . . well I mean it may be more . . . oh gosh, I can't think of the appropriate word. But using an engineered device is — and avoiding the chance of an injury if at all possible — is the more effective way of dealing with these type of injuries than solely just using a protocol.

Mr. Krawetz: — Thank you, Madam Minister. Madam Minister, the direction that I was moving here is not to suggest that we should somehow, you know, not move forward because of cost.

What I'm saying is that you have indicated that there might be as many as 2,000 cases that are existing, and only 200-and-some come before the WCB. That must mean that there's, you know, 1,700-plus cases where I'm sure there must be, there must be a very traumatic experience for whoever has, you know, come in contact with a sharp and is either undergoing tests or is waiting to see what might happen as a result of that. So for the province to move forward, for the province to continue discussions with the various groups, the various unions and other sectors is something that I would encourage you to do.

And my next question then is, when do you expect the

regulations for at least the health sector on hollow-bore needles?

Hon. Ms. Higgins: — Just to kind of clarify a wee bit, initially when we began this process, we looked at all areas covered by engineered devices which would include not only the hollow-bore needles, but you might get into scalpels and other instruments. The decision was made to look at a phased-in process because it is fairly complicated, and it does reach much farther than one might first expect.

We also get into the issue with firefighters who are out to, may be called out to pick up needles that have been used that are left lying in schoolyards or in back alleys. The fire departments in the larger cities — Saskatoon, Regina — will be called out to do the cleanups and pickups of these needles that are left laying around.

Part of the problems that we have run into is that some of the jurisdiction in this area rests with Health Canada as to what is on the shelf and may be purchased or used in certain circumstance. So there's also been discussions with that, with Health Canada. So what we're looking at doing is phasing it in, and the decision was made that dealing with the hollow-bore needles and beginning the whole process there was the most appropriate. And that's what we've targeted at.

We're looking at implementation, I would say in the fall — as soon as possible, but our target date currently is to have everything in place by the fall.

Mr. Krawetz: — Good. Thank you very much, Madam Minister. Madam Minister, on that same page of the 2004 WCB report I note that the number of appeals that have been filed, that have gone to either the appeals committee or to the board level, is the highest that it has ever been. It's now at 1,361, at the same time as you've indicated, you know, the number of claims have dropped by 10 per cent. Could you indicate why there would be the largest ever total of appeals that would have been filed that have gone to the committee or to the board?

Hon. Ms. Higgins: — Well the member may be aware that types of injuries have changed over the last number of years, where we are also seeing more of the soft tissue type of injuries. But you will also be aware that during the last committee of review, and the Dorsey review that was more of an administrative review, there was some emphasis that was placed on better defining the roles and procedures within the board.

So there's been a number of steps that have been taken. And one of those steps is that there be better information and clearer information on the rights of clients that are sent out. So you will notice, if through your MLA [Member of the Legislative Assembly] office that you've dealt with any claims or issues with WCB for any of your constituents, that with every letter that goes out to a WCB client, there is also information on how you may appeal if you disagree with a decision.

So that could cover any, I mean, a whole range of issues. It could be the amount of compensation, the type of compensation, what other resources are given to you, whether it's retraining, whether it's therapies, or it could be a decision onto whether your claim was approved or not approved. But

with every letter that goes out there is also the information going with that letter that says you may appeal if you disagree with the decision that's been taken.

So we find that there has been more appeals and the number of appeals has gone up. But I will also say that 92 per cent of the claims that go in are accepted by WCB and the percentage of claims that are denied has dropped over the last number of years. And you will find graphs and statistics on that that are in, not in your annual report. They're in the stakeholders' document that was released at the same time. So it is . . . it's a little paler gold front on that document. I think it's sitting up in front of you there. Yes. There will be more statistics on that side of it contained in that document.

Mr. Krawetz: — Thank you, Madam Minister. Madam Minister, from the page that I am quoting from, when you use the percentage of 92 per cent claims accepted, could you indicate where I would find that information in these 2004 statistics?

Hon. Ms. Higgins: — Where it would be, it would be in your stakeholders' report. There is a page and sorry, I don't have the page. On page 20 of your stakeholders' report, there's a number of graphs on that page. And it is kind of a clear way to look at the information looking at it on a graph. But each of the graphs addresses different issues within the board, and treatment of clients, and kind of, how it's progressed over the last couple of years. So that's where I'm getting this information from.

Mr. Krawetz: — Thank you, Madam Minister. Madam Minister, what I believe now if I look at the word, accepted and reported, you're suggesting then that the word, accepted, means that if 37,715 claims are reported, then 32,681 claims are accepted as claims. Is that what you're looking at as contributing to your 92 per cent number?

Hon. Ms. Higgins: — Well you have to realize that there is a difference. Reported claims can also be broken down into time-loss claims and loss . . . or no-loss-time and loss-time claims. Say if I slipped and fell and hurt my back, I mean, you know, fell on my back or something, so while I would report the injury to my employer to provide a record of that accident or incident that happened — it's not an accident, it's an incident that happened — in the workplace, so that if there was problems down the road with my back, I would have some record of the incident that happened in the workplace and what caused that incident or the particulars of it. So that would be a no-loss-time accident or injury report which would still be counted in those numbers. Now if I did something that kept me off work, then it would . . . yes, loss time.

Mr. Krawetz: — Thank you for clarifying that, Madam Minister. Madam Minister, has that percentage — and I haven't done my math but I see five years there — has that percentage changed in the number of claims accepted versus the number of claims reported? Has that been a norm of about 92 per cent or is this changed?

Hon. Ms. Higgins: — It's fluctuated slightly, but in the unaccepted goes from about 8 per cent to 10 per cent, in that range. So it is, it's stayed fairly consistent.

Mr. Krawetz: — Thank you, Madam Minister. Madam Minister, one of the items described in the report indicated that the — and I'm dealing now specifically with loss-time claims — that the number of days where individuals were on loss claim had been reduced by as much as two days. Could you indicate what would have happened in better medical treatment . . . Is it a variety of things that have allowed all people who have been previously on loss-day claims to suddenly now require two less days while on claim?

Hon. Ms. Higgins: — Well, it has to do with some of the programs that have been initiated over the last couple years. Team-based case management which gives a consistent group of people that look after a geographical area of the province. And the whole point behind this is that you are consistent in the people you are dealing with, with your case. You get to know the clients better if it may be a long-term case. I mean, you have that consistency in the people that you're dealing with.

Also, what we're looking at is the Return to Work program; not only the care that's accessed and the therapies that are accessed, that also has a big part to play in it, but there's been some very basic changes in the forms that are filled out by the doctor, where the requirements for Return to Work are more specifically addressed on the form. Now of course there are duplicate forms with some parts that are duplicated, some that aren't. So of course we're always conscious of the privacy issue of a client, and what can go any farther, what doctor's information is confidential, and all that has been addressed. But what has been asked is the doctors to be a little more specific as to what this person can do or can't do when they return to work.

Quite often, if you would get a blanket statement that says, you know, I believe the person is able to return to work. Well, maybe restricted duties, maybe light duty, what is referred to. But those are all very nice terms, but what exactly do they mean? You know, can I lift 10 pounds, can I lift 12 pounds? Should I be sitting, should I be standing? Should I, you know, do I have restrictions? So I think being more specific in what the person can and can't do allows the employer to maybe offer Return to Work, where the person can do work within the restrictions that the doctor has given them, and work into what their regular duties may have been.

I mean, those don't seem like huge issues, but they are when it's your health. And you're saying someone tells you I can return to work. Well you have to be specific because we always have to be conscious of the restrictions that they have because we don't want to reinjure or aggravate an injury that may have previously been there.

So I would say, you know, there's been a number of things that have been worked on over the last number of years. In the House I know in estimates in previous years, we had always talked about changes that were on the go that we felt would improve things down the road. We're starting to see those changes, and we're starting to see the improvements happening. And, you know, there's always more to do. There's always things that we could do better. Medical understanding is better; retraining is always understood better; and those are things that we'll continue to work on.

But, you know, we're starting to see those changes come into

effect, and we're seeing the hard numbers that are giving us, you know, I mean, I guess the knowledge that we're on the right track, and that the things we're doing are appropriate.

Mr. Krawetz: — Thank you, Madam Minister. Your response leads to, I think, to a couple of questions. Since the '04 report was released, a number of calls to my office from injured workers is suggesting of course that workers are being forced back to work before they're ready, and as a result that's how two days have been gained. And there is concern with that. Now whether that's, you know, factually correct or not, I don't know.

My second question would be, if two days was achieved by what you've just described, do you expect continued improvement in the number of days? And then, the third question or the third comment is, have you had a greater number of concerns — I don't know whether they'd be called appeals — of the actual conduct of employees or caseworkers as the team approach by injured workers? Has there been a greater number of employees, you know, or concerns raised about employees of WCB?

Those three items if you would, Madam Minister.

Hon. Ms. Higgins: — Well, I don't think people . . . I would hope that people are not being forced back to work too early. And while there will always be people that would prefer to go by what their doctor says — someone they are more familiar, maybe more comfortable with — but I know when WCB is looking at the cases, each is based or judged on its own merits. And the people that deal with that case take the advice of the experts to make their recommendations for that client.

And when it is dealing with someone's personal health, there can be disputes and disagreements, without a doubt. And that's . . . I mean, that's almost to be expected.

And what I would say as an MLA and someone who . . . I see cases in my constituency office in Moose Jaw. The last time we were in estimates, Mr. Federko laid out quite clearly kind of the appeal process or how someone should access if they have a complaint to make.

There is the office of the fair practice officer who can review a case, not for the end result of the case. But what he will do is look at the procedural policy within the board that's clearly laid out and to make sure that that client has been treated fairly and by the policies and procedures that are in place, and can recommend that cases be reviewed or decisions be reviewed and dealt with more appropriately by the policies that are in place. So the fair practice officer is there.

You know, there's many steps in the appeal process. And I will say that WCB deals with human issues, issues that can be very emotional. And I'm sure there are concerns at various times and I would hope that people would come forward with those and speak to the appropriate person; whether it be to their CSR [client services representative], whether it be to their team leader in their area. And there are other appeal processes or reporting processes that can be followed.

But is it on an increase? I don't believe it is, not by any of the

experience that I have anyway.

Mr. Krawetz: — Thank you, Madam Minister. Madam Minister, when you referred to policies and procedures and sort of regular business practice, is there . . . are you aware of any circumstances at WCB where there would be outside settlements, outside deals that would be completed with claimants that would not follow the policies and procedures, you know, to the letter of the law?

Hon. Ms. Higgins: — Well there's a number of . . . I mean, the legislation lays out the framework for the operation of WCB, but the policies really define it and the members of the board. And while those policies guide the processes that are there, as I said in my previous answer, I mean, we're dealing with human beings. And as far as I know, there wouldn't be large variance from the policy.

But the board has the ability to look and, I mean, prides itself on judging each case on its own merits and the circumstance set around each of those cases. So I would assume there would be some latitude with it.

But I don't know, I wouldn't go as far as to call them a side deal or something totally off line with what the basic policies are. But there is some ability to be flexible when you're looking at individual cases with, I mean, health concerns, human concerns. Not everyone fits into the same square box. So I mean, that latitude has to be there when dealing with health issues.

Mr. Krawetz: — Thank you, Madam Minister. And I guess as a team approach, that involves not only the area team and the actual client representative, but it also involves a medical team. And there may be different solutions to different problems, and that's understood.

The reason I asked the question, Madam Minister, is as I indicated to you at our last set of estimates, there was a concern raised by an individual about an overpayment, a significant overpayment of, you know, 20-plus thousand dollars. And when I read the policies and guidelines that the WCB are to follow in dealing with overpayments, there seemed to have been a different set of guidelines and policies that were followed by the individual case worker in this case.

So I'm wondering, what is the avenue . . . And I know that Mr. Federko outlined the appeals procedure but, you know, it wasn't an appealing of the case. It's an appealing of how the person was being handled and the kinds of requests that were being made of the individual.

And there are a couple of other cases that have now come to my attention that are not similar in nature, but still deal with what seems to be an interpretation of policies and guidelines by a caseworker that's different in dealing with one case and different in dealing with another case.

So I'm wondering, what kind of guidance or advice do I give to the individual claimant in resolving their issue? Is it a direct phone call to Mr. Federko? Is it a meeting with someone that can resolve this issue for them? Because they have definitely highlighted, I think, a breach of the conduct of the policy and

the guidelines that they expected to be followed.

Hon. Ms. Higgins: — Well I think this is a prime example of where the fair practice officer comes in; that they would be able to review the case, review the policies that pertain to it, and they would provide the guidance from there as to whether the case should be reviewed or whether the policies had been appropriately followed. This is what the fair practice officer does.

So we can get you the number and that's not a problem. Or if you want to pass the names onto us, we can do it through WCB, either way.

Mr. Krawetz: — Thank you, Madam Minister. In the reports, Madam Minister, would there be an explanation of the role that the fair practice officer plays, in the WCB report? Is it contained in the report? Could you give me . . .

Hon. Ms. Higgins: — In the stakeholder report?

Mr. Krawetz: — Right.

Hon. Ms. Higgins: — It is contained in there, page 29.

Mr. Krawetz: — Does that page contain the number of claims that the fair practice officer would be dealing with in 2004?

Hon. Ms. Higgins: — Yes. On the second page of the fair practice office section, there is a breakdown.

Mr. Krawetz: — Great. Thank you very much, Madam Minister. Madam Minister, when we take a look at the WCB rates that were put in place last year, the premiums that were charged employers, a dramatic increase from, I believe, \$1.83 to \$2.05. Is there a review taking place of the premiums for 2005 and beyond?

Hon. Ms. Higgins: — The 2005 premiums have already been set. The rate-setting meetings are held in the fall. The premiums for this year have been reduced an average of 3.9 per cent because of the performance of WCB in the previous year and the reduction of injuries. I mean, it all adds to a reduction in the costs. And you will know that 3.9 per cent average this year, premiums were reduced.

Now while the financial position of the board is greatly improved to what it has been over the last couple of years, you will know that the Injury Fund is still at a reduced level. And there is a need to replenish the Injury Fund so that we have that cushion in case there is . . . you know, the numbers don't continue to reduce. We have reduced administration costs. Those were all the things that we had talked about previously. They're at a . . . pretty equivalent to 1998 numbers for administration costs which is very good.

So there's a number of things that we're working on. The financial picture is looking much better. Premiums have been reduced, and we will go through that process . . . well we go through it yearly in fact. So in the fall there will be notification for general meetings and rate-setting meetings where the WCB goes out and does a presentation to employers or employees. Interested parties are more than welcome to show up. And they

go into a discussion on rates, what the projections are for the coming year, you know, some rough figures on how the current year is going and what it's looking like for the coming year.

And then there will be notification shortly after that, once they've gone through a series of meetings, as to what the premiums will be set at for the coming year. So we've had the reduction for this year, and next year will be in the fall.

Mr. Krawetz: — Thank you, Madam Minister. Madam Minister, in light of what you've just indicated, as I noted in 2004 report, the premium revenue from employers was \$221 million. Are you suggesting then that three point . . . is it 8 per cent, 3.9 per cent reduction?

Hon. Ms. Higgins: — 3.9 per cent.

Mr. Krawetz: — 3.9 per cent, if I just round that off to 4 per cent. Are you expecting then that the premium revenue will be about \$8 million lower? Is that the . . .

Hon. Ms. Higgins: — No, because there is a higher . . . The maximum wage that is paid on . . . now I'm not giving you the official terminology for this . . .

Mr. Krawetz: — 53,000.

Hon. Ms. Higgins: — Yes, is increased up to the 53,000. So that accounts for part of it. But also an increase in employer numbers; employer numbers and payroll has gone up. So that accounts for an increase also. All this is calculated in and actuarial adjustments are made with projections onto what the costs will be before any reductions are made. That's a fairly lengthy process.

Mr. Krawetz: — Thank you, Madam Minister. Does WCB present to you a budget of what they anticipate will be their premiums and investment dollars, etc., that they will receive for 2005? And if that budget is presented to you, can you provide that to the official opposition?

Hon. Ms. Higgins: — What I get is basically what you will see in the annual report. When we talk about investment dollars, the investments of the WCB are managed by professional investment firms which is, I mean, they operate how they would professionally operate. I see the returns on those dollars, the investment dollars. And that is calculated. That is in your budget that you will have before you there what the projections are for this year, or what last year, 2004, has been.

What I see is basically the numbers that you have there. Now I of course will get a bit more of an explanation on it. Maybe some more detail, but written figures are basically what you will have there.

WCB is funded by employers, so everything is out in the open. You can go to an annual meeting. You can get any amount of information that you require. They're quite accountable. They are quite public in the figures that they have, the issues they deal with, and where the dollars come from and where the dollars are spent.

Mr. Krawetz: — Thank you, Madam Minister. I fully . . . As I

indicated in my comments, there are only two sources of revenue for the WCB. One is employer premiums and one is investment. So I clearly know that, and I thank you for clarifying that I know that.

Madam Minister, what my question was, was . . . is there a sort of a rough budget, a best guess as what WCB anticipates will be their premium revenue for 2005 and their investment revenue for 2005? Is there such a best guess?

Hon. Ms. Higgins: — At the annual general meeting, which is slated for May 10 and 11, all of the best projections for 2005 will be laid out then.

Mr. Krawetz: — Are these projections discussed with you as the minister before May 10 and 11?

Hon. Ms. Higgins: — I have no input into the projections. They are all done by the financial analysts at the board and any of the professional advice that they may seek through the investors, or through the actuary who will give projections on to costs out into the future and the adjustments that may be made for that.

Mr. Krawetz: — Thank you, Madam Minister. Madam Minister, one of the other increases of course has been in the area of benefits liabilities. And I noticed, you know, its dramatic increase over the last five years from, you know, by almost \$200 million from 2000 to the 2004 numbers now where we're sitting at \$836.5 million that have been set aside for benefits liabilities.

And in looking at the page that talks about benefits liabilities, which is page 11, I understand that WCB sort of has highlighted some of the reasons for this increase. And you mentioned that there has been a decline in administrative costs overall in WCB. Yet I note in the first paragraph that it talks about, that the actual administration of sort of the future here has a \$1.7 million increase. That's not a decline. So could you explain why the other parts of WCB would be seeing a reduction in administrative costs, yet the actual benefits liabilities requires \$1.7 million increase to administering future benefit liabilities?

Hon. Ms. Higgins: — What you are looking at is the actuarial projections for . . . that if WCB closed its doors today, for the number of clients and responsibilities that it has currently, those are the costs to administer those into the future for the life of any clients that are there and will remain there. So those are the actuarial projections for administration into the future because there is a requirement for, by legislation, for WCB to remain funded. So what we do is by the actuarial adjustments. We have to maintain the funds to provide for clients for as long as those responsibilities remain for WCB.

Mr. Krawetz: — Thank you, Madam Minister. And I believe I understand why you . . . the WCB has indicated that the increase in benefits liabilities is moving from 802 million to 836.5, because clearly there needs to be, there has been an actuarial study that says that \$836.5 million is necessary to administer the claims that are before the board for the duration of those claims. Is that correct?

Hon. Ms. Higgins: — Correct.

Mr. Krawetz: — Madam Minister, then when I look at . . . and this is just for clarification. In the actuarial study, on the same page it talks about the fact that projected future benefit payments are arising from annual price inflation of 3.5 per cent. Is that what the actuarial study is using, that prices will be increasing by 3.5? Is that tied in any way to the consumer price index and inflation that we see in this province?

I mean, I've looked back at the last number of years. I see 2.2 and 1.8 and numbers, Madam Minister, that you're very familiar with as an MLA: 2.3 and 2.2 and other smaller numbers. Now I'm wondering where does 3.5 come from? Is it for the future years that we anticipate that each and every year we'll have an inflation rate of 3.5?

Hon. Ms. Higgins: — What I'm going to do is turn this over to Ms. Kruger.

Ms. Kruger: — Certainly we look at a very long period for our claims. Our claims can exist for 50 years into the future. And what we do is we use assumptions that, you know, will average on, you know, be used for 50 years into the future. Currently they're very low. The inflation assumption is 2.2 per cent. In other years they may be 7 per cent or 6 per cent, so what we do is we choose a long-term assumption because of the long-term nature of our liabilities.

And we're also consistent with boards right across the country. Most of them use that same assumption and it's because of the long-term nature of our liabilities.

Mr. Krawetz: — Thank you. That's where my next question was going. Do you work as a province with other provinces to determine some of these numbers? Do your actuarial, you know, people consult with other provinces as well?

Ms. Kruger: — Certainly each board sets its own assumptions. However we do consult very closely and keep each other abreast of, you know, what our assumptions are. And if one board is changing, we discuss it very closely.

Mr. Krawetz: — Madam Minister, I know we're nearing the end, but you made some comment about the Reserve and Injury Fund and its need to be replenished. Could you explain to the public person who might pick up this document and look at the numbers, at the very end of each of the columns, on page no. 2 . . .

A Member: — You're back to the year at a glance?

Mr. Krawetz: — Year at a glance, yes. Sorry. Where the Reserve and Injury Fund is showing for 2004, that it has a \$9.5 million deficit and then there is a \$52.7 million positive number. Could you explain those numbers to me? And I mean, your official, I would be very pleased to hear her.

Hon. Ms. Higgins: — That's who we'll turn to.

Mr. Krawetz: — Thank you.

Ms. Kruger: — Okay. It's quite . . . In the accounting world, in order to make things more transparent, it's actually become quite complex. We've been affected by a major accounting

change this year, and the accounting change has to do with the way we account for investments and investment income.

On the investment income side, we must report actual received income. So whether that's interest and dividends or if we sell investments and either have a gain or loss, that is now reported as income.

However on our investments, we must now report the actual market value. So you know that if you buy a stock for \$100, it may be worth \$150, and that's what we must report it at . . . is that \$50. However that's not income. But we must report that \$50 difference now, and that's now reported within our statements.

And if you look, the difference between the \$9.5 million deficit and the \$52.7 million surplus that it shows in the Reserves and Injury Fund, that's that unrealized gains. So that's that . . . You know, you buy a stock at 100. It's worth \$150. That's the equivalent of that \$50, that difference, that \$62 million difference, that's the short answer. Does that help?

Mr. Krawetz: — Yes, it does. No, thank you. And I appreciate that. Madam Minister, then does that mean to your officials that the previous four years that the column or the line item that is showing not applicable or I believe that's what was indicated there, is that due to the change in the chartered accountant or the Institute of Chartered Accountants demanding that government agencies and departments follow different accounting procedures?

Hon. Ms. Higgins: — Yes. Yes, that's why it's there.

Mr. Krawetz: — Okay. Madam Minister, is this a practice that the auditor has reviewed and supports?

Hon. Ms. Higgins: — Yes, you'll . . . well you may not be aware but our report was about a week and a half late being tabled, and that was because of the change in the accounting principles that we were using — that there needed to be agreement between the Provincial Auditor, WCB, and the auditor for WCB, that they were working through the details on how this would be applied. And the Provincial Auditor was involved in those discussions.

Mr. Krawetz: — So, Madam Minister, I take it then that the Public Accounts Committee won't have a large chapter from the auditor on the WCB and the new accounting procedures.

Hon. Ms. Higgins: — I don't think they ever do, do they?

Mr. Krawetz: — Mr. Chair, rather than switching to the other sections of the document and stopping in a matter of two minutes, I'd suggest that we might reconvene on another day.

The Chair: — Thank you very much. It being near 5 o'clock . . . But before we adjourn, I'll ask the minister if she would care to thank her officials.

Hon. Ms. Higgins: — Well I'd like to pass along, well, a thank you to all of the officials not only for the work that they do and the answers that they provide here in estimates but also for the work that they do throughout the year for the people of

Saskatchewan.

The Chair: — Thank you very much. This committee stands adjourned.

[The committee adjourned at 16:58.]