



# **STANDING COMMITTEE ON THE ECONOMY**

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**Legislative Assembly of Saskatchewan**

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**STANDING COMMITTEE ON THE ECONOMY  
2006**

Mr. Warren McCall, Chair  
Regina Elphinstone-Centre

Mr. Randy Weekes, Deputy Chair  
Biggar

Ms. Doreen Hamilton  
Regina Wascana Plains

Hon. Deb Higgins  
Moose Jaw Wakamow

Mr. Delbert Kirsch  
Batoche

Mr. Eldon Lautermilch  
Prince Albert Northcote

Mr. Lyle Stewart  
Thunder Creek

[The committee met at 15:00.]

**Bill No. 39 — The Saskatchewan Watershed Authority  
Amendment Act, 2006**

**Clause 1**

**The Chair:** — Thank you very much, committee members. We will call the committee to order. The first item of business today is the consideration of Bill No. 39, The Saskatchewan Watershed Authority Amendment Act, 2006. We are joined by Minister Nilson, the minister responsible. And if, Minister, you could make any introductory remarks and please introduce your officials.

**Hon. Mr. Nilson:** — Thank you very much. I am pleased to have with me today two officials from the Saskatchewan Watershed Authority. To my left is Bryan Ireland who is the acting vice-president of operations, and then to my right is Garnet Gobert who is the policy and program development analyst.

And we're here today about The Saskatchewan Watershed Authority Amendment Act. And basically this is a very small amendment to just make absolutely certain that the enforcement provisions under our legislation, that was passed last year, can be applied to orders that have been made under previous legislation which was incorporated into the 2005 Act. So that's basically what this legislation is, and I'm happy to answer any questions.

**The Chair:** — Thank you, Minister Nilson. Mr. Weekes.

**Mr. Weekes:** — Thank you, Mr. Chair. With the minister's indulgence, I just actually got off the phone from the group around Grandora concerning the caverns that are being developed, and I was wondering if I could ask you a couple of questions and just to raise the concern that Mr. Stevens just asked me to relay to you.

I'm sure you know the whole story about the problems of the water situation out there concerning the caverns, but just in the last couple of days there has been a . . . There's two wells east of where the caverns are being developed. One is a three-year-old well, and it's just recently been contaminated with salt so bad that it can't be treated, so these people do not have any access to water from their well that they can use for drinking or any purpose.

Just one more bit of information. One of the two wells is in the Judith River and that means . . . well the assumption is that if the Judith River is contaminated or in that area there's going to be many more wells that are going to show up with problems. I understand that yes, Ron Stevens said he talked to your officials in the Watershed Authority this morning. I would just like to pass that concern on to you, and if you have anything to add to alleviate their concerns, I'd appreciate a comment.

**Hon. Mr. Nilson:** — Well I appreciate you raising the question and as you pointed out it doesn't directly relate to this legislation that's here. What I would say is that this whole project has been monitored carefully, and so the appropriate

steps have obviously been taken with the individuals contacting the officials in the department. And I appreciate being advised of that here, and my hope is that they will be able to respond and try to deal with their particular issues. I know that they've been doing monitoring right across that whole area, and any time something like this shows up, then they're there to try to sort out what has happened or not happened.

**Mr. Weekes:** — Thank you, Mr. Minister. Yes, I appreciate that you've just been notified of this and certainly appreciate whatever you can do to help these people's problems. You know that water is such an essential part of life, and when these people wake up one morning and suddenly they've lost their water supply, it's very serious. So I hope that you will seek to address their concerns. Thank you.

**The Chair:** — Mr. Hart.

**Mr. Hart:** — Thank you, Mr. Chair. Minister, you mentioned that this is a very brief Bill with one amendment to The Saskatchewan Watershed Authority Act, 2005, a rather lengthy Bill that we dealt with last year.

Now I'm not quite clear on the intent of the addition to section 83. The way I read it is that in section 83.1, the amendment or the addition, it's referring to section 69 of The Saskatchewan Watershed Authority Act. Is that the Act that was in effect prior to Bill 118 of last year?

**Hon. Mr. Nilson:** — Yes, that's the previous Bill. It doesn't have the number 2005 in it. So effectively what's happened here is that orders that were made under the previous legislation, there was some question whether they would be enforceable in the same way as orders that were made under the amendment or under the Act from last year.

And rather than . . . There haven't been any disputes or anything that have arisen, but it's just been identified that it wasn't as clear as it could have been. So what we've basically proposed here is a very clear statement that says, any order made pursuant to section 69 of the old Act has the same force and effect of any order that was made under the 2005 Act.

**Mr. Hart:** — Minister, I wonder, could you indicate how many of those orders this amendment would apply to? Like, how many orders are there in existence?

**Hon. Mr. Nilson:** — Sure I think, like how many orders are there in existence . . .

**Mr. Hart:** — Well that would be affected by this amendment that we're dealing with here today. I understand that there was a number of orders made under the original Watershed Authority Act. And what we're doing is we're making sure, with this amendment, that those orders are enforceable by Bill 118, the 2005 Act. We don't need to be precise but just approximate if we have some sort of an idea.

**Hon. Mr. Nilson:** — I'll let Mr. Ireland answer that one.

**Mr. Ireland:** — Thank you. Unfortunately I didn't bring that statistic with me this afternoon, but I could provide a little bit of

context, I think. And since there's been a formal drainage complaint in legislation, that's back to 1981, we've . . . Through the various organizations that have been responsible for that program, there's been slightly over 1,300 formal complaints filed.

And under that, then some of those of course would not necessarily result in an order. There could have been a decision rendered that would not require action to be taken by an individual found to be the party in question. So I don't want to make a guess here about how many orders there actually is out there, but that's the context — about 1,300 over the last you know 25 years or so.

**Mr. Hart:** — Okay. The section 83 of the Act indicates that a corporation may register interests, notices of complaint on a land title. Could you explain the term, Minister, what is meant by notices of complaint?

**Hon. Mr. Nilson:** — Well basically it's a notice. So under the land titles system, you have all kinds of abilities to put notices which are in that registry system. Under this particular legislation, it would be a complaint, a concern that's registered. And then it becomes an enforcement remedy.

And so part of what we're doing here is to add some new enforcement powers to the orders. A complaint is made or a concern is raised by somebody in the community. The officials go out and look at it. They try to resolve it first by discussion between the parties. If that doesn't work, then you end up with an order.

Well then how do you enforce the order? Well one of the ways is you put a notice on the land title so that if the person tries to sell it or if they try to borrow money against their land, they have to deal with the order that's there as it relates to this legislation. So that gives a bit of power.

There's also ability to register. What we're doing here is adding the ability to register orders on the title itself with respect to the remediation work. So in other words, if somebody goes to buy that land and there's an order that's on the title that says the owner of this land must fix this particular problem, then the buyer or the bank that's lending money to the buyer will say, well this land isn't worth as much as it looks because it's going to cost \$25,000 to accomplish the order.

And so basically it's adding those extra remedies which give a little more teeth to the orders that are made under this legislation.

**Mr. Hart:** — So it's much like a caveat would be, just another notice. Is it comparable to caveats?

**Hon. Mr. Nilson:** — Yes. Basically caveat I think is the old term. The new . . .

**Mr. Hart:** — Yes okay.

**Hon. Mr. Nilson:** — The new system, all kinds of notices are all described as notices so that you know what they are.

**Mr. Hart:** — And I understand there is, as you said, there are

notices of complaint and there was registered orders. The authority has the ability to go and actually have remedial work done if the landowner refuses to do so. And of course then the landowner is expected to pay the cost of that remedial work. And if the owner refuses to do so, well then the order is registered against the title of the land.

Is there a term as far as . . . like, do these orders or notices expire after 15 years, or is it there forever or just what is the situation in that case?

**Hon. Mr. Nilson:** — Well it seems like every time I come to this committee, I end up giving legal advice. But basically the issue is that it has the same force and effect as a judgment of the Court of Queen's Bench, and that is normally 10 years. And at 9 years if it's still not paid, you can apply to have it re-registered for another 10 years, as long as it's outstanding.

But in the normal course, people do transactions with their land. And if the judgment is there — which effectively it is a judgment — and the person wants to borrow some money or do some refinancing, then most of the financial institutions say, well we're not very interested in giving you more money until you deal with this particular problem. And that's when those costs are usually paid.

**Mr. Hart:** — As far as, if there's an outstanding amount that hasn't been paid, is it customary to have interest accrue on that outstanding amount?

**Hon. Mr. Nilson:** — In the normal course the answer is yes. And there's a certain rate set by the court which would apply to this. Or if it ends up that there's a judge involved, they can actually set a rate that's different and that interest would accrue. And basically you have to pay that amount plus the costs, plus the cost of the land titles to get all of this discharged.

**Mr. Hart:** — Okay. Your official, Mr. Ireland, indicated that since 1981 there was about 1,300 formal complaints. I guess, just as a matter of information, with the type of spring we're having and the wet fall, are you dealing with more, not necessarily formal complaints, but inquiries and complaints from landowners? Just to get a sense of, you know, what level of disagreement is there out in rural Saskatchewan at this point in time.

**Mr. Ireland:** — Certainly in the drainage area, in the complaint program, we see that it follows the cycle of, as you just talked about, wet fall. Sometimes is the fall open enough for additional drainage works to be constructed?

And the second part is in the spring. Is there large run-off events that perhaps downstream landowners had not anticipated that kind of water flow? They hadn't seen it before, so they start looking around then as to, is there something new happened in the last year or two?

So yes, generally we would anticipate a bump in our activity in this when we have these kinds of conditions that we just had. I don't have the statistics yet for what it looks like for this spring, but I do know our offices are receiving a number of inquiries on this matter.

**Mr. Hart:** — In my limited experience with drainage issues, it seems to me that in years such as we're currently experiencing, that's when drainage that landowners weren't aware of that perhaps their neighbours were doing, now it becomes evident. And when a situation that hasn't been dealt with, you know, before is brought to the Watershed Authority's attention and you go through all the various processes and finally end up with a formal order, what do you use as a baseline as to, you know, as to say well okay you need to you know undo the drainage or ditches that were put in place and so on? Like how far back do you go?

I've heard individuals say that they were required to restore the land to the same condition it was back in the '40s. Do you go back that far and say you know a lot of things have happened and so on. Like how do you make a decision as to you know what type of remedial work should be done?

**Mr. Ireland:** — Well first of all, we use all kinds of tools that may be available to us to try to establish what might be considered a natural overflow elevations or natural drainage patterns. And that would be including things like aerial photography, back in 1950s for example, anything new that had been flown since that time. And wherever we can, we like to make physical observations.

In other words, if we feel that we need to actually see the runoff pattern, occasionally that's why we have additional time within the legislation before we have to render a decision. We are saying that if you file a complaint, let's say this spring, and we're unsure as to whether or not there has been enhancement done by a landowner, we want to see that runoff hopefully in the following year before we actually make our decision. So we may gather a lot of information. Air photos, ground surveys, interviews with individuals in the area — all of those sorts of things will help us come to a conclusion.

You mentioned going back as far as 1940. I have no instances to say yes or no to that, but we endeavour as much as possible to say this has been man-made activity. It has impacted to someone downstream. We try to establish a level to remedy that problem.

**Mr. Hart:** — Just perhaps one final question, I've had individuals discuss with me the appropriateness of drainage, and I guess I'd need some clarification. If a landowner is draining water off of their property and the water flows into a natural drainage system — a creek and there through the creek ends up into the river and that sort of thing — what is the legality of that type of drainage? And does the property owner need to get approval from everyone downstream from his property even though it's a natural drainage system? If you could just briefly explain that.

**Mr. Ireland:** — I'll give you what I see as the sequence of events here. The sequence of events would be that any time water is moved off a landowner's property, then it can be eligible for a need for a permit to do that work. When we see that the water will be coming off the property, our staff look at what the receiving stream conditions would be. In other words, you mention a natural runway and then into a river or that sort of thing.

We would say that landowner approval downstream will be required until there is an adequate outlet. In other words, the additional water that may be added because of the drainage, if it's not going to have any impact to other landowners, then we say that's as far as you need to go. As soon as the impact is, we feel, within the bounds of a proper controlled natural run — grass, this sort of thing — then we say you're fine. And we'll be able to do a permit for you.

**Mr. Hart:** — Mr. Chair, I think I've got answers to all my questions, and so I'm prepared to move along on the Bill.

**The Chair:** — Thank you very much, Mr. Hart. Clause 1, short title agreed?

**Some Hon. Members:** — Agreed.

[Clause 1 agreed to.]

[Clauses 2 and 3 agreed to.]

**The Chair:** — Her Majesty, by and with the advice and consent of the Legislative Assembly of Saskatchewan, enacts as follows: The Saskatchewan Watershed Authority Amendment Act, 2006.

I'd invite a member to report the Bill without amendment.

**Ms. Hamilton:** — I will so move that we report the Bill without amendment.

**The Chair:** — Thank you, Ms. Hamilton. All in favour?

**Some Hon. Members:** — Agreed.

**The Chair:** — Agreed. Thank you very much, committee members and thank you very much, Minister Nilson, and your officials. We'll briefly recess as we prepare to move into the next item on the committee's agenda, the consideration of Bill No. 53.

[The committee recessed for a period of time.]

### **Bill No. 53 — The Economic and Co-operative Development Amendment Act, 2006**

#### **Clause 1**

**The Chair:** — We'll call the committee back to order, and welcome Minister Thomson. Minister Thomson, we're here for the consideration of Bill No. 53, The Economic and Co-operative Amendment Act, 2006. You're welcome to make any introductory remarks you have and to introduce your official.

**Hon. Mr. Thomson:** — Thank you very much, Mr. Chairman. I am joined today by Fred Antunes who is the executive director of corporate and customer services with the ITO [Information Technology Office]. As this is the second time the Bill has appeared before the committee, I have no introductory comments.

**The Chair:** — Thank you, Minister. We'll turn the floor over to

committee members. Mr. Brkich.

**Mr. Brkich:** — Thank you, Mr. Chairman. Just a couple of questions on it. I think we raised them . . . on debate there, on adjourned debates. One of them was, this Bill develops a partnership with government organizations and private.

**Hon. Mr. Thomson:** — The Bill is designed to offer services with other government agencies, potentially including third party agencies. So for example, it may include municipalities, Legislative Assembly, the provincial courts, or other agencies like Grain Car Corporation, Crop Insurance — those kinds of agencies that are not necessarily considered part of the main executive branch of government.

**Mr. Brkich:** — Okay thank you. Do you have any partnerships right now with government agencies?

**Hon. Mr. Thomson:** — Yes, there are a number of agencies that we do undertake some partnership with, largely as a result of departments having come into the ITO partnership. So for example, when Agriculture and Food joined the ITO partnership, associated with it were a number of outside agencies that migrated in. So the department was previously offering services to; now those services will be offered by ITO.

Examples would be . . . the Grain Car Corporation is probably the best example of it.

**Mr. Brkich:** — Do you have a number of how many government organizations that are under this particular Bill?

**Mr. Antunes:** — So right now we've looked at . . . There's two right now that we provide services to that are outside of executive government. And when you look across other departments that are providing services to ITO organizations, there's between, say, 15 and 20 that could, that could potentially decide to join the ITO and receive services from the ITO if that's what they decide to do. So those people right now would be receiving services from another executive government department.

**Mr. Brkich:** — Okay. I take it that you handle all the IT [information technology] work for all government agencies. You're talking about each department right now.

**Hon. Mr. Thomson:** — Yes, that's the objective is that all government departments will be covered by ITO.

**Mr. Brkich:** — Okay. And I notice here in the Bill under explanatory notes it talks about on a cost-recovery basis. Is that how you operate? Who determines the cost recovery?

**Hon. Mr. Thomson:** — The ITO, and through its partnership agreement, will negotiate what the cost of the service is. What this Bill does is, because the ITO is a government department as opposed to a Treasury Board Crown, we account for things slightly differently in that there's not a clear . . . It's not operated like a Treasury Board Crown where you have revenues and expenditures and a billing process. This operates on an internal partnership process, and it's reflected and exchanged through the estimates. So the Bill enables us to undertake a business-like relationship with the government departments

without being set up as a Crown corporation.

**Mr. Brkich:** — Before this came in, there were I think a number of private IT firms that were operating in Saskatchewan. Did this replace any of them? Did the government get any of its service done privately?

**Hon. Mr. Thomson:** — We still have a large number of our services provided privately. What ITO does is offers the service to government agencies, and we subcontract out to private agencies. So we have major partnerships with all of the major IT operations, private sector ones — EDS [Electronic Data Systems], ISM [Information Systems Management Corporation], IBM [International Business Machines Corporation], CGI. There's a number of other locally based ones. So we have all of those partnerships in place.

What we have done, through the consolidation process, is consolidated a number of those contracts and been able to re-bid them and in many cases achieved a significant cost saving to taxpayers through re-bidding those.

**Mr. Brkich:** — Just going through the adjourned debates, I think it was the member from Cannington had raised a question on if your government . . . which it does allow your school boards which he had used in his speech. Was any agency that is . . . or municipality, school divisions, that get money from the government may partner right now on a voluntary basis. But he had questioned, does this Bill open the door further down the road that if . . . to say that if you receive money from the government in the form of grants or whatever that you have to be, your ITO has to be run through this department.

**Hon. Mr. Thomson:** — No. And in fact although the Bill would allow us to offer services to school divisions or health authorities or municipalities, that relationship would still be directly run by the relationship with the sponsoring department. So for example if school boards were to come into the partnership, they would come in through the Department of Learning as opposed to, I don't know, Good Spirit Division directly contracting from ITO. That would be the model that we would pursue, and we're not at this point looking at bringing SHIN [Saskatchewan Health Information Network] into the system. So those third party agencies are still governed by whatever arrangements they have. There will be no mandatory participation.

**Mr. Brkich:** — Thank you. In this particular, this year's budget, is it dealing with some extra money for this or extra people being hired under Executive Council or this department, as you probably will be expanding the IT services to other partnerships and to other government agencies.

**Hon. Mr. Thomson:** — For the most part, what happens is we are able to consolidate and reduce what we see as a direct transfer in from other government agencies their IT people. So there'll be a reflected decrease in other government departments that is reflected as an increase in the number of PYs [person-years] within the ITO, and the dollars flow then with that, with the people. But we have been able to, through a consolidation, we will be able to in the next year, eighteen months, be able to deal with some realignment of services simply through eliminating the duplication that existed within

the stovepiped operations that existed in other departments.

**Mr. Brkich:** — Thank you. So I take it then there won't be any significant costs, just some movement of money and personnel from one department to the next then.

**Hon. Mr. Thomson:** — That's correct. We've estimated that through the consolidation to date, we've saved about \$6 million as a result of consolidation and re-bidding of contracts and through new bulk purchasing. That's really what the objective here is, is to allow us to move into bulk purchasing arrangements.

**Mr. Brkich:** — One of the other concerns that was raised during debates, that it would hurt the private IT sector, but in it can you give some assurance that it won't?

**Hon. Mr. Thomson:** — The IT firms have been pushing us to move forward with consolidation. The major IT firms that I've dealt with have been encouraging us to move more quickly with consolidation. Obviously they prefer where possible to deal with a government through a single agency. It allows a more stable relationship and allows us to deal with larger bids on projects. We can simply undertake more work.

And our belief is that through the consolidation, the savings that we're able to achieve will be able to be applied either to new service delivery in terms of IT enabled service delivery or other services in the sponsoring departments. So the IT sector has generally welcomed the consolidation and view this as a good opportunity to partner further with government.

Our philosophy very much at ITO is looking at a private sector partnership program. We're interested in supplier development. We're interested in helping private sector companies sell to government IT services. But we obviously want to do that in a way which protects taxpayers.

**Mr. Brkich:** — Thank you. I guess just the last . . . this just more of a concern I guess that right now they're happy with it. But I know that it has been mentioned a little bit that, as government goes down the road, that they may develop their own IT service and compete with them further down the road.

And I'm hoping that this Bill in years to come, that this department doesn't grow and then start handling its own personnel and have more in-house IT people rather than contracting it out and partnering with them. And like right now they are happy with it. But there also is a little concern further down the road that the government may, years down, take over and do more, hire more people for in-house. I just hope I can get your assurance that that won't happen.

**Hon. Mr. Thomson:** — There are really three major areas that we look at in terms of the consolidation affecting the IT sector. One is the ability for us to consolidate, to deal with common desktop applications, hardware deployment, and those kind of services. The second is in the area of help desk, so we've got a common help and service desk operations across government. And the third is on the area of application development.

Our view at this point and the work that we've been doing with outside agencies show that in the hardware consolidation and

the common desktop application where we have been relying largely on private sector companies that this has worked very well. We've been able to achieve significant savings by working the partnerships with them. And we're pleased to continue in that direction.

The help desk provide us with an opportunity to consolidate a number of internal government agencies where different departments will have their own help desk people, their own service people be consolidated into one central government agency. This has provided government agencies with better service and more reliable help desk information. This is an area that we would see at this point keeping entirely within the government. As government services expand, there may be some expansion in that, but that's already a function contained within government departments.

And the third is the issue of application development. It is not my view or that of the agency that we would undertake any more internal development. The view is is that there is in fact a benefit by working directly with the private sector in terms of application development and more importantly looking for more off-the-shelf applications as opposed to the specialized niche applications that have been developed in the past.

So we have largely depended on private sector developers and will continue to do so as we move forward.

**Mr. Brkich:** — Thank you, Mr. Chairman. I have no further questions. I don't know if any of my colleagues have, on this particular Bill.

**The Chair:** — I see none. I'll thank the minister, and move to clause 1, short title. Agreed?

**Some Hon. Members:** — Agreed.

[Clause 1 agreed to.]

[Clauses 2 to 7 inclusive agreed to.]

**The Chair:** — Her Majesty, by and with the advice and consent of the Legislative Assembly of Saskatchewan, enacts as follows: The Economic and Co-Operative Development Amendment Act, 2006.

Can I get a member of the committee to report the Bill without amendment?

**Hon. Mr. Lautermilch:** — I move the Bill be reported without amendment.

**The Chair:** — Thank you, Minister Lautermilch. Agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Very good. Thank you to the minister and to your official.

And we'll briefly recess as we bring up a new set of officials.

[The committee recessed for a period of time.]

**Bill No. 64 — The Income Tax Amendment Act, 2006****Clause 1**

**The Chair:** — Thank you very much, committee members. We'll come back to order. Minister Thomson, we're here for the consideration of Bill No. 64, The Income Tax Amendment Act, 2006. At this time if you'd care to make any comments and introduce your officials, that would be entirely in order.

**Hon. Mr. Thomson:** — Thank you very much, Mr. Chairman. I am joined by the acting deputy minister of Finance, Kirk McGregor and by Arun Srinivus, the senior analyst for taxation and intergovernmental affairs branch with the Department of Finance.

I had an opportunity to introduce the Bill in the second reading speech. And members will be aware of what the government's objectives are with this. As such, I won't endeavour to repeat what I've already said and will simply welcome questions.

**The Chair:** — Thank you, Minister, and of course welcome to your officials. Mr. Cheveldayoff.

**Mr. Cheveldayoff:** — Thank you, Mr. Chair, and thank you to the minister and his officials for once again being at the legislature today. As the minister has indicated, both he and I have had an opportunity to address this Bill in the legislature in second reading. And we're very pleased to see this Bill come forward.

I have a few questions this afternoon regarding . . . well to begin with the provincial employee tool tax credit. Could the minister outline to me how it differs from the federal employee tool tax credit that currently has been announced?

**Hon. Mr. Thomson:** — The significant difference is that it has built into it a component for an ongoing tax credit. So there are two components to this tax credit. One is an entry level tax credit which will allow employees who are required to provide their tools to initially purchase them and claim a sizable credit for that. The second component however is an ongoing annual maintenance credit that they'll be able to claim, recognizing that in many cases people are required to simply update the tools of their trade, and this will provide them with that.

The federal credit, as I understand, is structured largely on a two-year component where you can claim it as opposed to our approach which will be having an ongoing maintenance credit built in. The amounts obviously also differ, but that's a key difference.

The one piece that I am not able to answer today, in part because we have not completed our regulations nor have I seen what the federal regulations are, is exactly who will qualify for what levels of credit or how inclusive the federal Bill is. I'm, at this point, not aware of what they're looking at.

**Mr. Cheveldayoff:** — Thank you, Mr. Minister. That was some of my further questions applying to that. But does the tool tax credit to your knowledge apply to apprentices, journeymen? How does it break out?

**Hon. Mr. Thomson:** — Yes, we are looking at four categories of employees who are required to provide their own tools. There'll be varying credit within that as to what is covered, what is not, and what the levels are, recognizing that obviously in some trades the cost of providing tools is significantly more. We wanted a fairly broadly applied credit, and we wanted to provide within that the ability for a number of different groups of employed workers to be able to qualify.

Apprentices will be able to qualify; we're still working through how that works. For example one of the issues that we are aware of with apprentices is that as they go through their program, they will not necessarily buy all of their tools in one year, and so the entry credit may in fact be better spaced out over a number of years for an apprentice. And so this is part of what we will need to work through with industry yet. And we're still working our regulations through, but our intention is to make sure that there is a degree of flexibility built in and a high degree of coverage for employees who are required to provide their own tools.

**Mr. Cheveldayoff:** — Thank you. Mr. Chair, I'm glad to see that it is an ongoing type of tax credit. I think that will truly benefit all individuals. So is my understanding correct that there is no set time limit on this, that it continues indefinitely?

**Hon. Mr. Thomson:** — That is correct.

**Mr. Cheveldayoff:** — Thank you, Mr. Minister. So in conjunction with the federal employee tool tax credit, what would the combined rates be for individuals when they look at the cost of their tools? Is there any calculations as to the combined benefits?

**Hon. Mr. Thomson:** — No, not at this point. And part of it is we'll need to work through our regulations. As I had indicated, the credit will vary depending on the trade and the industry that the person is participating in. And we are still not well aware of what it is the federal government is looking at. We should be in a better position once we see federal regulations on this and once our own regulations are developed to be able to say fairly definitively as to what the benefit is.

Suffice it to say though that I think this reflects a common set of values and understanding of the benefit of the trades to the . . . particularly the western economy and what it's doing for us in terms of making sure our economic strength stays there. So we certainly welcome the fact that the federal government has moved forward on this as well. And if you're moving into the trades, you're going to benefit from both federal and provincial credits.

**Mr. Cheveldayoff:** — Thank you, Mr. Minister. We certainly agree with you there and think this is a move in the right direction. This Bill touches on the Vicq commission recommendations, and we've discussed that at length. It makes changes to the corporate income tax in the province of Saskatchewan, and certainly we're very pleased that it is moving in that direction. The tool tax credit is a step that way as well.

Increasing the small-business threshold to 400,000 and again to 500,000 in total by July 1, 2008, is something that small



businesses that I've been talking to have been calling for. I think it is a way to grow small businesses in this province, allow them to reinvest their profits, and allow them to hire more individuals.

Also the investment tax credit for manufacturing and processing and making it refundable is something I think that will allow businesses to grow, to re-capture some of the taxes paid in a refundable manner. And that indeed is a step in the right direction.

I just wanted to indicate to the minister, you know, our concern as well with corporate income taxes and the competitiveness and the competitive situation in Saskatchewan. You know, certainly other provinces aren't standing still. We've seen Alberta moving ahead. We've seen Manitoba moving in a direction to lower taxes, and we just encourage the minister and the department to keep an eye on this and to make sure that Saskatchewan stays competitive in this manner.

With that, Mr. Chair, with that comment, I don't know if the minister wants to respond, but we're agreeable to vote on the Bill.

**The Chair:** — Thank you, Mr. Cheveldayoff. Minister.

**Hon. Mr. Thomson:** — I'd like to thank the committee for their work on this Bill today.

**The Chair:** — Very good. Clause 1, short title, agreed?

**Some Hon. Members:** — Agreed.

[Clause 1 agreed to.]

[Clauses 2 to 18 inclusive agreed to.]

**The Chair:** — Her Majesty, by and with the advice and consent of the Legislative Assembly of Saskatchewan, enacts as follows: The Income Tax Amendment Act, 2006. Can I get a committee member to move to report the Bill without amendment?

**Ms. Hamilton:** — I would move we report the Bill without amendment.

**The Chair:** — Thank you, Ms. Hamilton. All those agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Thank you very much. Thank you, Minister.

### **Bill No. 63 — The Corporation Capital Tax Amendment Act, 2006**

#### **Clause 1**

**The Chair:** — I guess we'll . . . it's mostly the same officials so . . . 50 per cent turnover there. There we go. Anyhow we'll move on to the consideration of Bill No. 63, The Corporation Capital Amendment Act, 2006. Minister Thomson, if you could introduce the new official that would be great and we'll proceed with consideration of the Bill.

**Hon. Mr. Thomson:** — Thank you very much, Mr. Chair. It is a pleasure to be before the committee today with this Bill. I am joined still by the acting deputy minister, Kirk McGregor, and have been joined by Kelly Laurans who is the director of revenue operations branch for the Department of Finance.

Again we have discussed this Bill in the House in second reading, and I have outlined, I think, the key components of it. With that I would welcome whatever questions committee members would have.

**The Chair:** — Thank you, Minister. Mr. Cheveldayoff.

**Mr. Cheveldayoff:** — Thank you Mr. Chair. Thank you to the minister and to his new official for joining us. How many businesses, Mr. Minister, in Saskatchewan currently pay the corporate capital tax?

**Mr. McGregor:** — If I may answer that question, it's about 1,440, I believe, currently being paid. And if I can follow, to the member, this Bill will eliminate probably close to 1,000 to 1,100 so that those which are paying the general corporation capital tax will be eliminated. And those that continue to pay the resource surcharge, those that are financial institutions and provincial Crown corporations will continue to pay the capital tax.

**Mr. Cheveldayoff:** — Thank you, Mr. Deputy. So if the breakout then I guess would be 1,000 to 1,100 non-renewable resource companies and 3 to 400 . . . or yes, the opposite way. That 3 to 400 would be non-renewable resource companies. Is that correct?

**Mr. McGregor:** — That's right. The 3 to 400 will be the remaining resource companies that pay the surcharge, the financial institutions and the Crown corporations. The general corporations which obviously cover all the other sectors of the economy — because the rate will fall to zero by 2008 — will no longer pay the capital tax.

**Mr. Cheveldayoff:** — Right. Thank you, Mr. Deputy. Could you outline for the committee just the operation of the resource surcharge which is basically, my understanding, a corporate capital tax on the non-renewable sector? Could you just outline the operation and the effect that it has on companies in Saskatchewan?

**Mr. McGregor:** — Thank you. The resource surcharge is levied as a per cent of their value of resource production. And the rates that are established, the general rate currently is 3.6 per cent of the value of resource production. And it's levied in the large resource sectors of oil, gas, potash, uranium, and coal.

The manner in which the capital tax is currently levied by these companies is that they pay the larger of the two of the surcharge and the general corporation capital tax. With the change that's been proposed by the government to eliminate the general capital tax, in order to ensure that these resource companies benefit from this reduction, the resource surcharge was correspondently reduced.

**Mr. Cheveldayoff:** — Thank you, Mr. Deputy. Has the department done any analysis of the cost of phasing out or

reducing the resource surcharge?

**Mr. McGregor:** — The surcharge currently raises about \$350 million. So this reduction in the rate from 3.6 to 3.0 provides a benefit of about \$60 million to the companies. So the remaining amount would therefore be the amount that would be to reduce to zero. So your current rate of 3.0 raises about \$300 million. I can verify those exact numbers with the member if he wishes.

**Mr. Cheveldayoff:** — Thank you, Mr. Deputy. Has some analysis been done as some scenarios created where in fact that this surcharge was eliminated and what the increase in activity and production would be, and what the offset would be?

**Hon. Mr. Thomson:** — I think the discussions that we've been having with the oil and gas sector around the resource surcharge as well as with . . . obviously it impacts on the mining sector. The impact that we had looked at was, as you know Vicq had recommended changing to eliminate, eliminate the surcharge . . .

**Mr. McGregor:** — Actually let me help with what Vicq had recommended here. Jack actually introduced a notional credit.

**Hon. Mr. Thomson:** — Right, it was the notional credit. And what this would have done was we had believed, as had Vicq when he introduced it, would have provided some simplicity into the system so it would essentially put more dependence on the royalty structure. When we consulted with the industry, what they thought is it actually made the system more complex, and so they had preferred, they believed it was more transparent to leave the resource structure — the royalty structure as it was — and for us to simply have a corresponding reduction in the surcharge rate.

It's always difficult to ascertain exactly what the impact of a change either in the resource royalty structure or the surcharge rates would do to stimulate investment. And that's for I think, as we all know, a couple of reasons. One is the dependency on activity and price, the relationship between that. And the second is the competition for capital in other sectors.

Now we were fortunate when we began to introduce the royalty restructuring that a number of other events occurred that also helped stimulate the investment and the re-interest in the Souris basin. First of all was significant new exploration which brought in a sense that the basin was in fact not drying up. Second of all we benefited from the new technology, the horizontal drilling that was coming in and the EOR [enhanced oil recovery] activity. And then third we were able to take advantage of the new royalty rates.

So I think as we all know, there's a number of different issues that play through. If today we were simply to drop, let's say, eliminate the rate, it's hard to say how much new activity you actually create. In the future we will clearly need to make sure that we are mindful of what the rates, both in terms of the surcharge to royalties and what that does in terms of both exploration and drilling activity within the sector.

So that's not a very simple and clean answer, but I think, as the member knows, it's a complex piece when we're dealing with resource royalty structures to make sure that we are both getting

a fair return on our resources while at the same time stimulating the activity to make sure that we've got the job benefit and the extraction activity that we want.

**Mr. Cheveldayoff:** — Thank you, Mr. Minister and Mr. Chair. I agree with the minister that it's not an exact science and it's hard to pinpoint down what the exact effect would be, but I think it's important that we do try to create some models, and we do try to gauge that effect and to move towards possibly lowering that rate if the province's finances will allow.

So I think I'm hearing from the minister that there is some willingness to look at it, that it is somewhat difficult to pin it down, but I don't hear an objection to moving in that direction to create a model to look at. Is that correct?

**Hon. Mr. Thomson:** — I would say that my recommendation to cabinet and to the legislature at this point would be that it would not. There's nothing that says in the sector we would be needing to further reduce this beyond what we have introduced today.

Obviously we need to stay competitive, and we need to continue to work with the industry to know what it is that will incent their drilling activity here. And we'll continue to work with them, whether that is royalty structure regulation or surcharge rates.

**Mr. Cheveldayoff:** — Thank you, Mr. Minister. And I'm sure you're having the same meetings that I'm having with the Saskatchewan Mining Association and the, you know, Canadian Association of Petroleum Producers, and they have certainly brought it to our attention that this is an area that they would like the government to move on. They, you know, they're appreciative of movements that have been made, and you know this is the next item that they would like the minister to take a look at. But I'm sure we'll have time in the future to discuss that.

Can the minister or the deputy outline for me, Mr. Chair, how the department determines if a business that's based out of province is eligible to pay the corporate capital tax on its Saskatchewan-based operations and how that determination is made?

**Mr. McGregor:** — Thank you. The question . . . it's a complicated answer. The easy, simple answer is that we rely on the federal rules to determine whether or not the company has what's described as a permanent establishment in the province. And the federal government rules look at a variety of different measurements: if they have assets in the province, if they have salaries or if they have employees within the province, if they have leased holdings within the province. So the first step is to establish that there is permanent establishment here.

The second step then is to determine the extent to which they operate within the province. And in that case as a general rule, they'll look both at the salaries and wages paid to employees in the province, as opposed to what they paid outside the province. And then they'll look at the revenues which are generated in the province relative to what they generate outside the province. And then that's the formula they determine for measuring the amount of capital and income that's allocated to the province of

Saskatchewan for taxation purposes.

**Mr. Cheveldayoff:** — So the incentive is certainly there, Mr. Chair, to have as much of your business located in Saskatchewan as possible, and that's what it's directed towards. Is that correct?

**Mr. McGregor:** — That's a very good explanation by the member. The challenge that the government faced was to deal with high statutory tax rates on its capital and its income. And the challenge there is that the federal rules can be manipulated, shifting of income and capital between jurisdictions to minimize the tax levels paid by corporations. And that really was an important element of the work undertaken by the business tax review commission and also of course by the government to lower statutory rates so that the incentive to income shift from the province is significantly reduced. And in fact it is our government's hope that we'll see a shift into the province from other jurisdictions so that we increase our revenues.

**Mr. Cheveldayoff:** — Thank you, Mr. Deputy. A couple of final questions, I guess. Regarding the financial institutions and the corporate tax that they pay, can you just outline for the committee some of the thoughts and discussions within the department, and if it was considered to be removing that for financial institutions as well?

**Hon. Mr. Thomson:** — It's fair to say that historically we have been of the belief that these large institutions, like the financial institutions and indeed the Crown corporations, should continue to pay a capital tax, that it is a reasonable assessment on them. And in fact it does not necessarily deter — we would argue it does not deter — their investment decisions here. And as such it's simply one way that we achieve revenue. So our view from the outset was not to, not to look at reduction of that.

For the Crown sector, I guess in some ways it's obvious as to why we wouldn't. Because on the one hand, we would simply direct that they're going to participate here. If there was a reduction in terms of what they'd pay, we'd simply look for increased dividend from them. So our sense was it made more sense just to leave this. And with the financial institutions again, it's not a case where this is providing any kind of incentive for them to locate more operations here.

**Mr. Cheveldayoff:** — Thank you, Mr. Minister. Mr. Chair, just to follow up on that last point. We've seen fairly significant, I think, pullbacks or reductions from some of the major financial institutions in Saskatchewan here as far as, certainly as far as job numbers go. And so am I correct in assuming that the minister doesn't see the link between the corporate capital tax on financial institutions and their decisions to lessen their presence in Saskatchewan?

**Hon. Mr. Thomson:** — That's correct. There are a number of factors that seem to be impacting on the financial institution activity. One has been a degree of consolidation within their operations in rural Saskatchewan where we are seeing, for a variety of reasons, they've opted for larger operations in a fewer number of communities. This consolidation has resulted in some efficiency, I guess you would argue, within their operations which has led to job reductions.

The second and perhaps more significant issue that has impacted the province was the decision by the Bank of Canada to pull out its operations. This was a very difficult decision on the part of the bank and was not one welcomed by the province. And as a result of that decision, we have seen by necessity a need for the larger financial institutions to pull back some of their cheque clearing operations and consolidate to somewhere where there is a Bank of Canada operation.

It is fair to say that if we were to look at any ability to increase our financial institution activity and job growth here, which I think there is an opportunity for, it would be necessitated by seeing the Bank of Canada return operations here or finding some new model for dealing with issues of cheque clearing.

**Mr. Cheveldayoff:** — Well thank you, Mr. Minister, that's news to me there. I've learned something from that comment. Is the minister or the department presently engaged with any discussions with the Bank of Canada? Is there any possibility of having them regain a presence here or at least enhance their presence here?

**Hon. Mr. Thomson:** — We have been in discussion with some financial institutions about what other options would be available to deal with expansion of their operations in Saskatchewan. There is some debate as to whether in fact we do need the Bank of Canada to return or whether there is an opportunity to move to — what are they called? — virtual cheque clearing centres. This is something which is under debate within the industry right now as to what model they're going to use.

But yes, we are working to try and deal with this because I do believe it's an area of potential growth for Saskatchewan within the financial services sector. We have a relatively well-trained, well-educated workforce in this set of skills that we could easily retain in the province. We have a relatively inexpensive business climate to operate within and a reasonable cost of labour. And so in those ways, we are actually quite competitive. The only piece that's working against us are the rules of . . . the financial institutions seem to work . . . [inaudible] . . . so we have met with some financial institutions to try and deal with this issue.

And we are continuing to pursue through a number of different avenues how we might be able to deal with this hurdle. Now the Bank of Canada pulled out in 1997, I think it was, out of the city, and a lot of the consolidation was happening at that same time. So I think we have an opportunity to see some growth there, and we'll continue to pursue it with the institutions.

**Mr. Cheveldayoff:** — Thank you, Mr. Minister. I'll just comment that I have, as well as I'm sure he has, been meeting with senior bank officials as they travel through Saskatchewan. And I think there is a recognition on their part that there is a move to a new West, to a growing influence in the economy of Canada by Western Canada, by Saskatchewan. And I think it's fair to say that they are starting to look at how they can enhance some services here in Saskatchewan. So I look forward to hearing more about that in the future.

Mr. Chair, that completes my questioning for the minister on this particular Bill.

**The Chair:** — Thank you very much, Mr. Cheveldayoff. Clause 1, short title. Agreed?

**Some Hon. Members:** — Agreed.

[Clause 1 agreed to.]

[Clauses 2 to 8 inclusive agreed to.]

**The Chair:** — Her Majesty, by and with the advice and consent of the Legislative Assembly of Saskatchewan, enacts as follows: The Corporation Capital Tax Amendment Act, 2006.

Could I get a committee member to move to report the Bill without amendment?

**Ms. Hamilton:** — I move to report the Bill without amendment.

**The Chair:** — Thank you, Ms. Hamilton. All those agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Thank you very much, committee members. And thank you for the conclusion of the consideration of that item.

### General Revenue Fund

#### Finance

#### Vote 18

#### Subvote (FI01)

**The Chair:** — We will now prepare for the consideration of estimates for the Department of Finance. Minister, you and your officials, you're ready to go? More to come perchance? Okay.

Well I guess we'll turn the floor over to the consideration of the Department of Finance estimates and open the floor for questions or comments from members. Or perhaps a brief recess, I'm not sure. The minister, any comments?

**Hon. Mr. Thomson:** — Mr. Chairman, I would . . . We have a number of officials that will be joining us. I will introduce them as they join us to help in answering questions. Until then they remain seated behind the bar. But I am joined at the table today by the acting deputy minister, Kirk McGregor, and by Joanne Brockman, who is the executive director of economic and fiscal policy.

**The Chair:** — Very good.

**Hon. Mr. Thomson:** — I would welcome questions.

**The Chair:** — Excellent. Mr. Cheveldayoff.

**Mr. Cheveldayoff:** — Thank you, Mr. Chair and Mr. Minister, to all officials for coming here this afternoon. Very much appreciate it.

I'd like to begin today's discussion of estimates talking about the provincial sales tax and how it relates to recreational vehicles in Saskatchewan. I know as an MLA [Member of the

Legislative Assembly], and many of my colleagues hear from individuals that sell recreational vehicles and are concerned about the unlevel playing field, if you like, in Western Canada on the PST [provincial sales tax]. And I know it has been a concern for other provinces as well that neighbour Alberta, namely British Columbia. And they have moved to try to make it more difficult, I guess, for individuals to bring recreational vehicles into the province without paying the necessary PST.

Could you explain, Mr. Minister or Mr. Deputy, to the committee today, how the provincial sales tax legislation applies to recreational vehicles purchased out-of-province by Saskatchewan residents?

**Hon. Mr. Thomson:** — Sales tax legislation is set out that goods that are purchased outside the province but for use by a resident of Saskatchewan in the province should have the sales tax paid. But the onus is on the individual purchaser to remit. The notable exception to this obviously is motor vehicles where we apply the sales tax at the point of registration.

I think as the member is aware, we receive on a regular basis some argument and representation from people involved in the sport recreation vehicle . . . recreational vehicle industry. Some desire for us . . . They asked us to move towards some kind of a registration model that would then require the tax be paid and essentially level the playing field.

The difficulty with this is that it would . . . Because we do not have a licensing regime for these vehicles today, whether it's boats or ATVs [all terrain vehicle], it would largely be nothing more than a tax collection process, and I think for ordinary consumers and users of these products would be seen to be a major inconvenience and indeed an unwelcome intrusion into their personal purchasing and lifestyle decisions. And so we have resisted to this point any kind of a registration process for these kind of vehicles.

**Mr. Cheveldayoff:** — Thank you, Mr. Minister, Mr. Chair. So is the department, the province considering any enhanced enforcement in this regard? Certainly these vehicles have gone up in value and in price. And the, you know, the gap or the portion that's paid on the purchase price, the PST, has increased substantially, so much to the fact that it is hampering sales and businesses here in Saskatchewan. So I'd like to know the minister's opinion if indeed we do have an unlevel playing field here and what he would say to businesses, and how they can compete fairly with those vehicles that are brought in outside the province?

**Hon. Mr. Thomson:** — Well this is a very significant issue of debate as to how it is that we make sure that we have a playing field that is level but at the same time . . . and have a regulatory regime that is not onerous. And I can tell the member that while we are interested in hearing what options would be available that the industry may have in terms of how we go about regulating this kind of an initiative, I am not particularly interested at this point in pursuing a regime that would simply impose a greater restriction on individuals to require them to license vehicles that are used off-road.

And we can imagine as we work our way . . . If you can just work your way through what the implications of this are, the

enforcement then would need to be stepped up. And the sense of concern that I think the population would express about undue enforcement or what I have no doubt would be characterized as harassment by officials in terms of payment of sales tax would not be welcomed by the Saskatchewan population.

We have a system in place with the snowmobiles where they are licensed, registered largely to assist in trail grooming. And this is something that's brought on by the sector itself and allows us to deal with some of this issue.

But in terms of the other sectors there is no appetite that I can see within the general population for us to move forward with it. And so as such, while we continue to be interested in how we would deal not only with gaining the additional revenues and obviously helping the sector, we're quite mindful of the fact that this is not seen to be a major issue, at this point, of concern with the ordinary Saskatchewan public.

**Mr. Cheveldayoff:** — It may not be an issue with the ordinary Saskatchewan public but it's an issue with those business owners especially those on the western side of the province. And we hear from individuals from Swift Current, from Saskatoon, from North Battleford, you know, that it is a real impediment to their business. Would the minister in this case consider an exemption for this industry then to indeed level the playing field?

**Hon. Mr. Thomson:** — No, I'm not inclined to look at further PST exemptions on this or other goods. We currently have the narrowest base of goods that are covered by a sales tax in Canada. And my view is that the issues we need to address in the future largely deal around harmonization and reduction of rates. And that is really where the debate needs to be as opposed to more one-off exemptions. So I'm not inclined at this point to move in that direction.

I would welcome any advice the member has in terms of how we might look at a licensing and regulation regime, but I suspect that he and his party would be reluctant to implement it for all the same reasons that we are. This is clearly not something which is easily enforced and I think would simply result in more red tape and bureaucracy which is something we want to resist doing in terms of chasing down sales tax.

**Mr. Cheveldayoff:** — Thank you, Mr. Minister, for the comments and I certainly will be back in touch with individuals that are selling recreational vehicles. And I'll pass those comments along and ask them for some, you know, ideas on some creative ways of addressing this issue. Thank you for your frank comments in that regard.

I'd like to now, Mr. Chair, move towards the topic of Public Employees Pension Plan. I have a number of questions. And I understand there's some changes that have taken place in the Public Employees Pension Plan, and so I'd like to move in that direction.

**Hon. Mr. Thomson:** — Mr. Chairman, I'm joined by Brian Smith with the pension and benefits agency.

**Mr. Cheveldayoff:** — Thank you, Mr. Chair. I understand that

when a member of the Public Employees Benefit Agency, PEBA, retires and is ready to receive income, they have an option to either receive an annuity from the plan or transfer the money and place it with a private investment dealer or broker. Is that correct?

**Hon. Mr. Thomson:** — We are in fact, just now in the process of changing over to a variable benefit to allow greater choice for individuals who are retiring and taking the benefit from the plan. They will have the option now of leaving their money in the plan and receiving regular benefits out. So essentially the plan will now offer what was available through the — what is it? — LIRAs [locked-in retirement account], the LIRAs. And so this is a change that we are now offering effective this, effective this year.

**Mr. Cheveldayoff:** — Thank you, Mr. Minister. Yes, that's kind of the direction I'm heading to with my questioning. I understand that there's some major changes that have happened as of May 1, 2006. Is that correct, the date?

**Hon. Mr. Thomson:** — That would be correct. Close, give or take a few days.

**Mr. Cheveldayoff:** — Can you outline for the committee how many members are part of PEBA [Public Employees Benefits Agency] and PEPP [Public Employees Pension Plan]? And do you keep records on the options that these individuals choose as far as, you know, when they retire.

**Hon. Mr. Thomson:** — There are about 44,000 members in the plan. At age 69 all participants in the plan are currently required to exercise one of those two options. We are not aware of which of the options they would exercise, because obviously that's their choice. Once the money is out of the plan, it's theirs to use as they see fit.

But in the consultations that have been undertaken with the participants in the plan, there was certainly indicated by many a desire for another option which was essentially to leave it in the plan and then to have the plan operated like a LIRA.

**Mr. Cheveldayoff:** — So you're saying, Mr. Chair, to the minister, that the desire for change or enhanced services came from the members themselves and were wanting to move in that direction.

**Hon. Mr. Thomson:** — Correct. The plan spends a great deal of time working with its members to understand what their interests are and what the benefits are. Communication is important both in terms of understanding what the results of the plan are, which I think any of us who are participants in it are very thankful they do an exceptionally good job on. But there are also . . . there is also a desire increasingly from the members that's been expressed that they want to be able to stay in the plan.

Now I think the reasons for that are probably again self-evident which is, because the plan is a sizable one, the rate of return is often better than what they're able to do by simply taking the money under their own . . . either moving it to their own financial adviser or by taking it into some kind of an annuity. And so that was what was really motivating the desire for it to

be able to stay in the plan.

The other difference is that I think as we're all aware, life expectancy is growing and people are looking at using these funds over a longer period of time. So the rate of return is increasingly important to people.

**Mr. Cheveldayoff:** — Thank you, Mr. Minister. I'm sure you're aware that the Investment Dealers Association is very concerned about this move. They represent a number of small- and medium-sized businesses in the province and across the country. And you know, they've made it known to us certainly, and I know they have correspondence on its way to the minister if it hasn't arrived already, and it talks about their disappointment with the government's decision to launch the variable pension benefit. They feel that it's services that the private sector can provide in Saskatchewan and has provided very well and are, you know, voicing their concern with that today. What would the minister say to the Investment Dealers Association and the industry as a whole?

**Hon. Mr. Thomson:** — I guess there are two major issues that we would want to be clear on. One is that it's not the intention of the plan to provide the investment advice to its members. As such the sector will continue to have exclusivity on that.

But secondly, we believe that the plan is there to serve the interests of its members. And as such we need to listen and be mindful and respectful of what it is that the members want done with their money. This is after all their money and it simply provides one more option to them. Nothing will preclude individuals from opting to take the money out of the plan as they see fit, to roll it out as they have been able to do. It just provides one more choice for people to take advantage of.

**Mr. Cheveldayoff:** — Mr. Chair, to the minister. Will there be any additional fees, any difficulties incurred by individuals that want to take their money out of the plan rather than leave it in the plan. Are there any fees whatsoever that they will be paying?

**Hon. Mr. Thomson:** — No. The operation will be the same. This just provides another choice for people who are reaching that age where they need to make a choice about what they are going to do with the pension benefit.

**Mr. Cheveldayoff:** — Thank you, Mr. Minister. Mr. Chair, to the minister, is this something that's just happening in Saskatchewan, or indeed have you looked across the country to see what's happening to other public benefit plans and if the precedent has been set for expanded services elsewhere?

You know I guess I'm just speaking on behalf of the Investment Dealers Association and their concern about the presence of government in Saskatchewan. Nothing frustrates a small business more than having to pay a substantial amount of taxes and then having to compete with those taxes, compete with the government if you like, for business per se.

**Hon. Mr. Thomson:** — I'm sorry, could you just repeat again how there's a tax competitiveness argument?

**Mr. Cheveldayoff:** — I'll put it up into a couple of questions.

First of all, is this to your knowledge available in other provinces outside Saskatchewan? Has other public benefit agencies decided to move in that direction previous to Saskatchewan?

**Hon. Mr. Thomson:** — Oh we're very pleased to be the first province to do this as a result of changes to the federal Income Tax Act which now allow these changes to be undertaken by any pension benefit agency. I would speculate that you will see other provinces follow suit in this. But we saw no reason to wait, and we are happy to provide this benefit first to members in this province.

**Mr. Cheveldayoff:** — Okay my other comment was regarding small businesses in Saskatchewan, that I think it's fair to say that they see this as government getting bigger and moving into a territory that they feel they're well-serving individuals and Saskatchewan residents. And I'm just indicating that it's very worrisome for them when they pay a significant amount of tax in Saskatchewan and from their perspective they see government moving in and now indeed government is a competitor of theirs in this regard. I'm interested in the minister's comments on that.

**Hon. Mr. Thomson:** — Well it's not our intention to actively market as competition. People will still need to get financial advice from private sector financial planners. This is simply one option that will be available to retirees. And I guess the question I would ask the member is, why would we not want to provide as many choices to Saskatchewan people as possible?

**Mr. Cheveldayoff:** — Thank you, Mr. Minister. Mr. Chair, I guess the concern here from the industry association — and I am directly voicing their concerns here — is that the funds and the programs that they offer are well in excess of what is being offered here. Like there is some concern that the only two choices that individuals will have are a short-term bond fund and a balanced fund. The Investment Dealers Association doesn't see how the needs of all those individuals can be serviced by just having those two funds available.

**Hon. Mr. Thomson:** — This is why this is not a mandatory plan, and people will obviously want to consult their financial advisers to decide on their own investment strategy. The variable pension benefit is there to provide members with more opportunity to make choices about their retirement future.

I was watching my TV the other night and some politician was on saying, it's your money; what do you want to do with it? I guess I would say that if that's good advice on tax money, why is that not good advice on pension benefit when it truly is money that belongs to the individual benefit holder?

**Mr. Cheveldayoff:** — I think I saw that same good-looking politician myself. So yes, I can understand what the minister is saying. But I can also understand and I certainly feel for the small businesses and medium-sized businesses that are trying to make a living in Saskatchewan and feel that once again they are competing with the government in this respect.

Does the minister know or the department know how many dealers, brokers, banks, credit unions, presently offer the similar-type services in Saskatchewan?

**Hon. Mr. Thomson:** — No, we don't know at this point as to how many would offer that, nor do we know how many benefit . . . how many members of the plan will exercise the option to stay in the plan.

**Mr. Cheveldayoff:** — So to summarize, does the minister feel that this plan would be in direct competition with the private sector in any fashion?

**Hon. Mr. Thomson:** — The simple answer is no. What this provides is simply more choice to benefit holders as to what they want to do with their money. And I'm a big believer that people should have choices in that regard with their pension benefit. We're pleased to see the changes in The Income Tax Act to allow more choice. And I think as people become more active in their retirement planning, they understand both the benefit of having financial advisers and having a large number of choices. And that's what we're attempting to do, is to make sure they have yet another choice on what they can do with their money.

**Mr. Cheveldayoff:** — Thank you Mr. Chair. Mr. Minister, then has your department consulted the investment dealers — the banks, the credit unions — in any way, shape, or form prior to enacting this move?

**Hon. Mr. Thomson:** — We are very focused on what the interests of the members are. And as such our primary interest is to make sure that those people who have contributed their money to this plan have the choices that are available to them.

**Mr. Cheveldayoff:** — So I guess the answer then is no. No consultations were made with the Investment Dealers Association prior to this moving forward.

**Hon. Mr. Thomson:** — No, because our stakeholders are the members of the plan. We would not, nor I assume would any member want to constrict the number of choices that people who have put their money into a plan may have in terms of the options available to them. And I would anticipate that, as the member has already pointed out, in terms of the options that are available, investment advisors would be able to point out the benefits of that versus the benefit of other market-driven products that will be out there that may be better suited to particular individuals. This just provides more choice.

**Mr. Cheveldayoff:** — Thank you, Mr. Minister. Mr. Chair, I guess we can agree on that point, but also I don't see any harm in having the consultations. I think the Minister of Finance hopefully would see some responsibility towards the Investment Dealers Association and those that market financial products in the province and would see the benefits of having that consultation. I guess I don't understand why that consultation hasn't taken place.

**Hon. Mr. Thomson:** — I guess the question is fairly simple. And the question is, do we believe in providing more choice for people who are participating in the plan as is permitted under the Income Tax Act as changed by the Parliament of Canada? Or do we believe that we should constrict the choices available to them and not exercise the rights that have been laid out to them by the Parliament of Canada?

In the interests of . . . It is a simple question of whether we look at this through the lens of what is in the best interests of the benefit holder or whether we look at some larger group. And we very clearly said our interest is making sure benefit holders, the members of the plan are able to have the number of choices available to them.

I take it from what the member is saying, he doesn't agree with that and so be it. There are differences of opinion on this. Our view however is that there should be more choice available. We did not actively lobby for changes to the Act, but now that the Act has been changed we believe that it's a responsible position for us to provide that set of options to those members.

**Mr. Cheveldayoff:** — Thank you, Mr. Chair. Just to correct the minister, what we don't agree on is the way this was done. And I just believe that the courtesy of a meeting with this association should have taken place before acting and moving in this direction.

Mr. Minister, I'd like to move on to several different topics. We've talked about and had exchanges in the legislature about raising the personal exemption in Saskatchewan for Saskatchewan taxpayers. In fact as opposition, we put forward a proposal where the exemption would be raised in our province to match what the equivalent would be to someone who is working full-time at minimum wage in the province. And we've capped that proposal at \$30,000 income. And we've expensed it and looked at it and estimated that it would cost about \$90 million in total to do that. We've asked the Department of Finance you know, if we're wrong in our estimations on the cost of that in any way, to let us know, and haven't received any information in that regard.

Just interested in the minister's thoughts on that proposal specifically and then you know we can talk of whether it's something that's a priority or if the cost is able to do. But just the fact of raising the personal exemption in Saskatchewan so those that are on minimum wage would in effect, if they're not . . . if they're working full-time, would not pay any provincial tax.

**Hon. Mr. Thomson:** — I'll let the officials get the information on that. Could I maybe just . . . I don't want to cast any aspersions on the position of the member opposite, but could I just have clarity then as to whether he supports the variable pension benefit or not because I was unclear by what he was saying as to whether he supported it or not. And as we then dig through our information, we'll be able to answer the other question. But I think that we shouldn't leave that just hanging out there. If there is in fact agreement on the variable pension benefit, we should hear that. And if there isn't, we should be clear about that also.

**Mr. Cheveldayoff:** — Thank you, Mr. Minister. And, Mr. Chair, you know I'll respond in saying that I think further consultations have to be made. This would go back to just a philosophic view of way I feel that that the minister and the department and government in general should operate.

This government has been stung on several occasions by having a lack of consultation with stakeholders. It's everything from the smoking bylaw to other pieces of legislation that we've seen

where a lack of consultation has taken place. I really didn't think we'd be getting into this in this level today, but you know I'm happy to tell the minister that I certainly believe that that consultation should have taken place.

My information, and it's not researched to a large extent, says that there's approximately 1,500 investment dealers, brokers, banks, credit unions that offer this service in the province. What I am saying is that I feel that those individuals should at least have had the courtesy of consultation. And you know I would like to see the debate. I would like to see the industry association put their views forward, and I'd like to see, you know, the minister defend his move in this direction.

What I'm advocating here . . . And I don't think it really matters in this regard if my particular opinion as an individual is one way or the other. But as an opposition member encouraging that consultation takes place before legislation is brought forward or if changes are brought forward is something that I feel is necessary. So you know I'd encourage that dialogue to happen. It didn't happen before. And I know the industry association will be approaching the minister directly, and I hope he has the time to meet with them.

**Hon. Mr. Thomson:** — I'm always happy to meet with associations. But once again I want to be very clear. The priorities of the New Democratic Party government are those of the individual benefit plan members and making sure that they have the choice. And we will always support making sure that those choices are available to individual citizens so that they can look after their own financial interests. We want to make sure that industry continues to be involved as is appropriate in that. And indeed we would note that there are many, many very good financial products out there that members no doubt will continue to want to take advantage of. And I would anticipate investment advisors will make them aware of that.

That being said, it is not our position that we would constrict personal choice simply to benefit individual business. And I suspect that that is where we part company with the Saskatchewan Party opposition.

On the issue of the tax credits, we now have the third lowest marginal tax rates in the country. And when we take a look at the spousal benefits being included, we are at the second lowest. So in fact our tax regime, our personal income tax regime, as reflected by the reforms we've undertaken over the last few years, are among the best in the country. And our view is that while there are a number of issues that we could continue to look at in terms of reform, by and large the structure of them and the approach is one that should largely be emulated by other provinces.

**Mr. Cheveldayoff:** — Thank you, Mr. Minister and Mr. Chair. To the minister, our concern is about the rate of taxes that individuals pay when making \$30,000 or less in Saskatchewan. And you know I see a proposal put forward by the opposition here that should be considered by the government. And I hope that he would certainly take it seriously and take a look in that direction.

Moving in the same direction, I want to talk about minimum wage in Saskatchewan. I guess one way to ensure that those that

are most vulnerable in our society, those that work at rates that allow them to have incomes that are small or modest or medium levels, I feel that those people that need the money the most governments should find a way to ensure that that money is going into their pockets and not being taxed back. One way to do it is to raise the personal exemption. Another way to do it is to raise the minimum wage.

I just wanted to talk about minimum wage for a minute, and if the minister could outline his views on minimum wage. When an increase in minimum wage takes place, who benefits from that increase?

**Hon. Mr. Thomson:** — One of the key issues we need to remember when we're talking about income taxation and the issues around both the rates and the exemptions that are available has to do with the way that the reforms, when they were brought in by the previous minister of Finance, served to simplify the system and indeed through the process removed thousands of people from the income tax rolls altogether. This was a very progressive set of reforms and a very simple set of reforms.

I thought it was quite interesting to read in the national newspapers just this past week a comment by the taxpayers' federation of Canada stating that they thought the Harper government in Ottawa had gotten it wrong with their approach to dealing with all of these new credits and exemptions that they're building in, and in fact that they should have simply followed Saskatchewan's example by moving to a simpler, fairer, lower set of rates. And I thought in as such that it in many ways showed how the approach that the New Democratic Party government has enacted with personal tax reform has really benefited Saskatchewan people. And I was pleased to see the CTF [Canadian Taxpayers Federation] show support for that. It will be yet to see whether the Harper government in Ottawa is interested in following our lead or whether they'll in fact continue on with this more Byzantine approach of various credits and rates.

But those changes to the income taxes have benefited a large number of Saskatchewan people. In fact I think it's fair to say that it benefited all Saskatchewan people through either rate reduction or complete removal of them from the tax rolls. And that was a significant part. It was also important not only in the lower income rates but on higher income earners that they were able to see a much more competitive tax regime.

With respect to the question of minimum wage, the member asks who benefits as the minimum wage increases. There are approximately today, as I understand, about 17,000 minimum wage workers in the province, and labour deals with most of these. But it's about . . . There's about 17,000 minimum wage workers in the province, and so when we are talking about increases in the minimum wage, what we take a look at within government are a couple of things. One is what the costs of living are. What are the issues that are being addressed by low-wage, low-income workers?

Secondly, we're obviously mindful of what the competitive environment is like for the businesses that are being asked to pay additional wages and what sectors that are impacted by this. So it is not so much taking a look at what just GDP [gross



domestic product] and CPI [consumer price index] growth is, but really we do take a look at what the impact is of specific sectors particularly around the growth of retail sales.

These are all significant issues that we take into account. And as such we have decided, as I announced in the budget, that we would pursue, continue to pursue increases in the minimum wage to reflect both the strong position of our economy and local business, but also to make sure that low-income and low-wage people continue to benefit by the strength of the growing economy.

**Mr. Cheveldayoff:** — Thank you, Mr. Minister. I think that there's another group that certainly benefits from an increase in the minimum wage, and that's the government itself because it increases, you know, taxable employment income for individuals. And the government does see some benefit from increasing the minimum wage. And I think that, I guess . . . First of all does the minister agree with that statement?

**Hon. Mr. Thomson:** — Well certainly anything that we do to increase purchasing power available to low-income people, some of that will find its way back into the treasury through the decisions that they make and through the tax regime. The issue however around the rate of taxation, we have now for the lowest-level of taxation, 11 per cent rate, which is extremely competitive in the country. We have relatively high exemptions. We have built in other credits to reflect the impact of or to take into account some of the pressures that working families feel.

And I believe that as a result of that what we have is — as shown by the inter-city comparison of taxes and household charges — Saskatchewan is one of the best places to live, work, and raise a family in the country. And these are the things that we take into account. Whether it is through the Energy Share program that reduces natural gas prices, whether it is through the subsidies and rebates we have on property taxes, whether it is in terms of the charges that we have for auto insurance, overall when we look at the bundle that's available, at just about every income level we see that Saskatchewan is one of the lowest cost places to live, work, and raise a family. And that's something we're very mindful of.

**Mr. Cheveldayoff:** — Thank you, Mr. Minister. You know, our concern is that there's not enough people choosing to live, work, and raise a family in Saskatchewan. When we see the numbers of population decline in this province, you know it certainly is a concern.

But getting back to my question on minimum wage, and I'll just, you know, put it on the table, you know, the way I feel. I feel if a minimum wage is raised in Saskatchewan, the government, the treasury, does benefit from that. And the very least that should be done is an increasing level, increasing the level of the personal exemption to make sure that, you know, whether it's revenue neutral or not but in that general area . . . But philosophically I believe that if minimum wage is increased that that exemption level should be increased as well, just to ensure that it's not just the government that benefits from that but indeed that workers would be able to take more money home and have more money in their pockets. Does the minister agree with that statement, or are we on a different wave length there?

**Hon. Mr. Thomson:** — There is no doubt that as minimum wage increases, the primary beneficiary is the wage earner. And a large number of the minimum wage earners, I'd say the vast majority, are exempt from income taxation. I think we need to understand, you know, what the group of people is that we're dealing with who are earning minimum wage and be mindful of that and how that works. Now in terms of personal taxation, there's obviously also tobacco taxation and issues around the PST, and there'll be taxes paid on that. Those are choices that they would make.

The debate that is currently in the broader community is about what additional benefits should be provided to these low-income workers. And what has been recommended by the dean of the College of Commerce in Saskatoon is that we look at expanding the benefits that are available to these people. It is I think important to note that what she has advocated is that we look at improving their quality of life and their ability to provide for their families through pension benefits, through improved health benefits, through more stable increases in the minimum wage. And that is really the debate that is out there.

Now I know the members opposite — I haven't heard this particular member refer to it as such but I have heard other members — call this another example of the so-called job-killing monster that's available. What we're taking a look at is what is a balanced approach to try and improve the lot of low-income, low-wage workers.

And the debate no doubt that we'll move into in the next few months will be about how it is we truly assist them. Is it just a case that you cut the taxes, cut a cheque, and cut them loose? Or is it in fact that you provide a comprehensive set of benefits that are available to them? We are taking a look at that report today and taking a look at what other options are available, and I will certainly listen carefully to what the debate is both within the community and the Assembly as we look at moving forward with that.

**Mr. Cheveldayoff:** — Thank you, Mr. Chair, Mr. Minister, just to correct a couple of statements that the minister made, certainly the Saskatchewan Party, the official opposition was pleased to make a presentation to the vulnerable workers committee. I was there along with the Leader of the Opposition and the Labour critic, and we put forward this very proposal.

And I think were very well received at the time by the questioning that was put forward and also the request by the Chair and by the committee for additional information. They seemed very interested in this proposal. In their final report they chose not to make it as one of their recommendations, but regardless of that I think it's something that merits consideration.

As far as the job-killing monster goes, I think Saskatchewan residents know very well what the job-killing monster was, and the most available hours legislation I think is something that's a black mark on the history of this province and has set us back as far as economic development goes. But I don't see the link that the minister is trying to make between these two separate issues.

I'd like to move into the property taxes and some discussion

around that. I've got in front of me an article that appeared in the Saskatoon *StarPhoenix*, May 3, talking about . . . Well the headline reads, provincial credit will barely offset tax hike by Saskatoon school boards. And I know school boards in Regina have seen the necessity to increase taxes, I believe, in the neighbourhood of 2.8, 2.93 per cent in increased mill rates. So in spite of some of the efforts that the government has made to keep taxes where they are or try to reduce them, that has not happened in certainly the major urban centres of our province and many other centres across Saskatchewan.

Rather than getting into the debate specifically that is occurring on the floor of the legislature right now, I guess I want to talk about the big picture with the minister and if indeed his department has any innovative ideas on how we can move away from funding education on the backs of property tax owners in Saskatchewan. Is his department looking across Saskatchewan or across the country right now for some best practices and some ideas on how we can move in that direction?

I think now is the time with the resources that we have available to make some bold steps. And I know that the minister has made some bold steps in previous portfolios that he has held, and I'm just wondering if he's got any ideas on this moving forward.

**Hon. Mr. Thomson:** — Well we're pleased to continue to work with the Department of Learning as they are the lead agency on this initiative, and we play a supporting role to them obviously. The advice that I have for my successor in that portfolio I have offered to her as she took it over, and I continue to offer to her as she seeks it.

We believe that the tax credit system that we've introduced in this budget, the \$67 million that provide 38 per cent tax credit for individual farmers was the best way to achieve, for the first time in generations, a 60/40 split on farm land. We are certainly aware that when it comes to the commercial sector that they take a look at property tax and the overall tax regime in terms of making their business decisions. We believe we are competitive in that. The reports by various outside agencies confirm that property taxation is not — when taken into account with the overall mix — is not an impediment to economic growth.

And while I know, as it is June coming up, that I too fret about the property tax bill that the city of Regina and the Regina Public School Board send me, I know that it pays for good, high-quality public services.

And so we continue to take a look at what ways we can deal with reducing the overall amount of tax paid to make sure we're getting the taxes levied in a fair and reasonable way. But at the same time, we're mindful of the fact that it is the school boards who make their own decisions about what it is that they offer for services.

I am aware of the fact that they have continued to increase property taxes despite a 40 per cent increase in provincial funding and a significant decline in student enrolment over the last several years. And at the end of the day, they need to justify that to their ratepayers.

I know that this debate spills over onto the floor of the

Assembly, but short of moving to the model that Alberta uses where the Minister of Learning has the ability to set those budgets, it is almost impossible for us to move in any direction other than some kind of a rebate model to control the overall tax bill on property.

**Mr. Cheveldayoff:** — Thank you, Mr. Minister. Mr. Chair, just, you know, I know there's going to be some finger pointing back and forth between the minister and then the school boards.

And in reading from the article, a jump in teacher salaries and I'm quoting: “. . . a jump in teacher salaries and salary accruals require the mill rate hike, said Garry Benning, superintendent of finance and administration.” And a further quote: “. . . we are still nowhere near the expected level of funding from the province and the property owners are bearing a heavy [heavy] load,” trustee Shannon Underwood said,” from the Saskatoon Public School board.

So indeed there is some concern and there is some finger pointing back and forth. But I think it is something that the minister has to seriously consider and work with the Department of Learning to look at different models and see if there is a way that we can reduce the burden on property tax owners in Saskatchewan. And I know there's no easy answer and, you know, in this case the opposition doesn't have an easy answer either. But I think we have to be cognizant of the way we treat this and look for models that will improve this.

**Hon. Mr. Thomson:** — Well when we were going through the budget process, we put on the education file two significant priorities. One was to move forward with a very sizable reduction in agricultural property tax, knowing full well that this is where the real pressure is on property taxation, is the property tax on agricultural land. And as such we implemented a historic reduction in agricultural property tax of 38 per cent to individual farmers at the cost to the treasury of \$67 million. We did this because we believed that it was the right thing to do and to address those pressures.

Secondly, we were aware that within the four largest divisions that there was some very real pressure being built up as a result of what had been implemented some 10 years ago, of a differential on the basic per-pupil grants. And so we acted in this budget to completely eliminate the differential on the per-pupil grants. And as a result millions of new dollars flowed in to those four largest boards. Again we felt it was an important principle to act on, causing significant new revenues available to these boards.

The bigger debate is not the percentage of who pays for education. It is how much is paid for education. This is what the real debate needs to be.

We have today a system that has seen a 40 per cent increase in public funding in the last 10 years, and has taken a 40 per cent increase in property taxes to fund a system with 25,000 fewer students in it. Now the educational indicators will show that we are educating those kids to about the same educational outcome. This is what the debate is that we need to engage in as citizens, as electors, as representatives, as members of a community, is really what is it we seek from our education system, how well it does it, and how it is funded, and how much does it need to be

funded.

I know that as I talk to representatives of other levels of government that they believe that there is an issue about how much the school boards are raising taxes and that is a debate that they need to take up with their school boards. This is however the simple fact of the situation — 40 per cent more public money, 40 per cent more property tax money, 25,000 fewer kids.

It's an interesting question the trustees will need to grapple with as they look at how they deal with the system. And those were foundational issues that we looked at, both in terms of dealing with the foundation operating grant review and in terms of looking at the amalgamation, in terms of how do we make the system more sustainable.

So there are lots of pressures, lots of problems. The system still I think works pretty well, but it is a costly system to run.

**Mr. Cheveldayoff:** — Thank you, Mr. Minister. Mr. Chair, I believe my colleague has a couple of questions he would like to ask.

**The Chair:** — Certainly. Mr. Toth.

**Mr. Toth:** — Thank you, Mr. Chairman, Mr. Minister, and to your officials. Late last summer, early last fall a question was brought to my attention regarding the PST on farm-related services. And in particular the question was around bale hauling and manure handling. And what I'm talking about here is, there are a number of contractors out there who haul bales with . . . using tractor-towed equipment. And then there are contractors who use equipment or trucks that are licensed, and unfortunately as a result of licensing the trucks, they are required to use clear diesel. They can't use the coloured diesel.

And at the time the minister of the day had indicated that because we were already into the '05-06 budget year, it was almost impossible to make any changes. But indeed the department would look at it and see whether or not it was an issue that could be addressed in the upcoming budget. Now I'm not aware of any changes.

I think that what's being asked by these contractors is for an equal and level playing field. Because they're in a situation where, well they either absorb the extra costs, they have to pass that on to the producer, whereas the contractor using tractor-towed equipment has the advantage of the coloured diesel which doesn't have the PST on it. And I'm wondering, Mr. Minister, whether or not there was further discussion with the department, whether they looked at some options in regards to this issue.

**Hon. Mr. Thomson:** — I'm advised that there was in fact debate within the Treasury Board about the issue. And it was reconfirmed that the benefit of using the coloured diesel was a benefit that accrued to the individual farmer and would not be expanded out to any broader sector. And so if the individual farmer is dealing with the hauling of whatever the product may be, they would be certainly eligible to use the tax-exempt fuel.

But that as we looked at moving it into the commercial sector,

once you start moving into commercial contractors it's very hard to articulate why you would stop at one particular industry as opposed to moving into others. And I think we're aware that other sectors have been pursuing this. Certainly the forestry sector's pursued this, that they too want access to exemptions on fuel and PST and others. So the decision of the Treasury Board was to reconfirm the provisions as they were currently laid out.

**Mr. Toth:** — Well I guess, Mr. Minister, while you indicate there are other sectors, we're basically dealing with a group of operators who are doing the same thing. Only one group of operators, custom operators, are using tractor-related equipment; others are using trucks. And all those trucks are designed to do, without a major change in them, is to basically do the same operation only at an additional cost, which means an additional cost that is passed on to the agriculture producer.

It's not like we're going from one industry to the next. It's just we've got two types of handling equipment. And it just seems, as the requests that came in was for the level playing field, that the custom operators, whether they have tractors or whether they're using trucks . . . While they're already paying the tax on the trucks because they have to license their trucks whereas a tractor operator doesn't, but on the other hand they're still doing the same job. And why they couldn't for the purposes of that job use the coloured diesel.

**Hon. Mr. Thomson:** — Well the issue is not what the nature of the job is. The issue is who's undertaking the job. And that's why the difference is there, and that was the essence of the debate and the decision to confirm the existing provision. I understand what the member is articulating and certainly presents the argument as we've heard it also. Upon reflection our decision was to leave it as was, largely to make sure there was not additional seepage out of the system. It's a benefit that is provided to benefit individual farmers directly.

**Mr. Cheveldayoff:** — Mr. Chair, if I could continue with questioning. I'd like to turn to the overall financial state of the province at the present time. The budget was delivered last month and we're approaching I guess two-thirds of the way through the first quarter. And with oil revenues where they are, I've got an article in front of me that quotes Jeff Rubin who is chief strategist of CIBC World Markets. And he's indicating in the article that he sees high oil prices not being a blip but he expects they will continue for quite some time — standing at about \$73 US and will average 77 a barrel, \$77 a barrel in the second half of the year. And his prediction for next year is \$90 a barrel.

If we just look at the first quarter and where the province is, our calculations, and again correct me if I'm wrong, but the province of Saskatchewan is on track to be about 90 to \$100 million ahead of budget providing the price of oil stays where it is from now until the end of June. Is that a correct statement, Mr. Minister?

**Hon. Mr. Thomson:** — It is simply too early to predict what things will look like in the first quarter. I would note that oil prices have fluctuated by \$8 a barrel in the last — what? — 15, 20 days. And we've had tremendous change in the price of oil. And it is . . . Today I haven't looked at what the number was,

but I think yesterday it closed at about 68-something, so well below the \$70 mark. And it's very hard to predict exactly where we're going to end up. We're still confident with the number of 60 for the year, the year.

The other piece that has . . . the members need to be aware of is that the oil and potash production is affected by the price of the dollar. The dollar we had estimated at a price of would be at an exchange of 86 cents. We are now, I think as all members are aware, hovering somewhere around 90, 91. And it looks like the US [United States] dollar is poised to fall through the \$1.13 mark at some point in the not-too-distant future here.

So for us the challenge is how these various things interact. It's too early to say what the first quarter will look like. I can't confirm that the number that the member uses would be accurate. On the other hand, I'm not in a position to offer what the additional revenue may look like.

Again I would caution and simply say that from our perspective we are not and would not look at undertaking any significant new expenditures as a result of first quarter money. The earliest that we should really look at any kind of adjustments would be nearing the mid-term mark. And that simply will give us more confidence on what the overall financial picture of the province looks like.

**Mr. Cheveldayoff:** — Thank you, Mr. Minister. I guess, you know, that's the direction I'm heading. And, you know, we talked last time we were in estimates about CAIS [Canadian agricultural income stabilization program] funding, and you indicated that you wouldn't see your way to be doing that until the third quarter for some reasons that that involved the determination of exactly what the funding would be. I guess with oil trading above the level set in the budget, I think for each and every day since the budget was delivered, you know, I think it's reasonable to expect that there will be additional revenues after the first quarter.

And in looking at the budget, one area where I was very disappointed in was the reduction in the capital expenditures for the Department of Learning. And certainly the K to 12 [kindergarten to grade 12] expenditures on capital were decreased by I believe \$5 million. And I was hoping that the minister in light of additional revenues . . . And we can wait to see what the first quarter report shows. But if indeed at that time it shows the revenues well in excess of what was budgeted for, would the minister consider moving some money into the Department of Learning to pay for some much-needed capital?

As the minister is aware I come from a constituency that is growing in Saskatchewan. It is in the minority as far as constituencies go as far as growth that's taking place, but with growth comes the need for infrastructure. In my constituency there is 600 children under the age of six years old that don't have a school. And I know the limiting factors because in the city of Saskatoon the enrolment of school-age children is down and it's forecast to go down even further. But that doesn't lessen the need for capital expenditures in learning. And I think that the province will be in a position, and I'm asking for the minister's thoughts if indeed we are in that position, that some money will be put forward towards learning capital?

**Hon. Mr. Thomson:** — Well we'll take a look at all the capital budgets. I do believe capital is a good way to use one-time expenditures. Our preference has been to focus on using the one-time revenue for — the windfall of revenue, if we might describe it as such — for capital expenditures and debt reduction primarily. The issue of education capital will need to be balanced off with other capital needs in the province, and there are a number of those as we're aware. The opposition was recently just calling for us to change the funding policy for health care capital which would come at a significant cost, and we'll need to consider what that implication is.

If the member is asking whether I would look at specifically funding, say the Arbor Creek school, as a one-off project, I think the answer is no, that we would need to take a look at how that would fit into the overall capital budgets. There are a number of areas within the education budgets that are growing in terms of the demand, not only in terms of Saskatoon. Regina has growth demands on it. The North has growth demands on it. There's capital renewal issues at the universities. There's capital renewal issues within the K to 12 sector. There's significant pressures as the member's colleagues have pointed out on health care where they want us spending more on health care capital. There is a number of issues around other critical infrastructure that need to be taken a look at too.

So at the end of the first quarter, I think the quick answer is no, we would not likely be making any decisions about significant new capital expenditures. Will we by mid-term look at it? Yes, but I am also mindful of the fact that we are interested in being able to do a payment on CAIS at the third quarter, as opposed to waiting for that to come into the subsequent budget year. And so we are going to need to just take a look at how much money is available and what those priorities are.

**Mr. Cheveldayoff:** — Thank you, Mr. Minister. Certainly to be clear, what I am advocating for is capital funding for the Department of Learning. I know the Department of Learning comes out with their major capital rankings. I believe that comes out in June every year, and I'm just looking at the timing of when the first quarter information would be available from the Finance department to the Learning department. And rather than just see the rankings come out, I would like to see some announcements in areas that are needed.

But I'll leave that. I'll leave that for the minister to review. And certainly I've just articulated the concern that there was indeed a decrease in the capital Learning budget, and I've put forward an example in my own constituency. But I know that there's other needs that need to be addressed across the province. But the argument that we don't have the funds I think does not hold water at this time, and I would encourage the minister to look in that direction.

On the topic of oil and gas revenue, we know Saskatchewan produces a lot of heavy oil along with smaller amounts of sweet, light crude in the Southeast and natural gas in the Southwest. Could the minister or his officials indicate how much the government collected in oil royalties from different grades of oil in the past year?

**Hon. Mr. Thomson:** — While the officials look for that information, if I could just say again, I am not yet clear what the

priorities are of the opposition in terms of how windfall revenue should be spent.

I've heard the member for Humboldt and the opposition leader call for us to implement a new health care capital policy which alleviates any need for local contribution on health care capital. I am now hearing the Finance critic calling for us to put new money into Education capital. The member for Saskatoon Southeast suggested we should put all the money against debt reduction.

At some point I would appreciate, and I don't need to have it today, but I would appreciate a clear articulation of what the priorities are of the opposition members in terms of how windfall money should be spent. And if that is provided on a timely basis, I will take that into account as Treasury Board and cabinet make its decisions about what to do with any additional windfall money should we have it, understanding that I think it was Mr. Bjornerud who was calling for us to significantly increase and top-up the CAIS payments also.

So if the member wants to provide me with that advice — I don't need it today; obviously we're not going to be making decisions quickly, but some kind of a prioritization of the many demands that I've heard in the Assembly — I would welcome that and take that into account as we move forward.

**Mr. Cheveldayoff:** — Thank you, Mr. Minister. I'm always pleased to give a minister information whenever he requires it. Certainly in this regard, what we were asking for is in fact from the minister and from his government, what is his priority?

I know members of my caucus have expressed concern with health care capital in the province that has been announced sometimes six or seven times over, where they appear in each and every budget but nothing's been done. It's quite well known of the state of the Humboldt hospital, the state of the Preeceville hospital. They appear in budget after budget, and there is concern. So there is many, many areas that have suffered from a lack of capital in the province.

And we would encourage the minister to come up with his priority list. And that's why I'm trying to get a read on him from where he's going to go in the first quarter. If he chooses not to provide that, that's fine. If the minister wants to know what the priorities of the Saskatchewan Party and a Saskatchewan Party government would be, I suggest that he just sit tight, and in a year or 18 months or whenever the Premier has the courage to call the provincial election, he may indeed find out what those priorities are.

**Hon. Mr. Thomson:** — Well I certainly look forward to it. I appreciate the fact that there is varied advice that I get from the members of the opposition depending on who's asking questions that particular day. I suspect that I will be even greyer than I am today by the time that the members are in a position to deliver a budget. But I would again, just politely request again, that if the member does have advice on how to sort out the various priorities that they have articulated in the budget debate and in the Assembly, I would welcome the opportunity to look at it.

Our approach has been to try and strike a balance between some

money going into ongoing expenditures, some into tax reduction, some into one-time capital spending, and then some money into debt reduction. And we have largely used a one-third, one-third, one-third rules in terms of doing that.

Obviously that will mean that new initiatives, if we were to meet the laundry list of demands that were put forward in the budget debate by the opposition, would drive us into a deficit budget especially if we were taking into account promises previously made that seemed to have fallen by the wayside like, oh, the reduction of the gas tax. I really . . . That was promised with much ballyhoo last September, October which would have significantly cut our revenues and in fact would have as, under our estimate, forced us into a deficit of \$7 million a month to enact it. That appears to have fallen off the Sask Party's radar.

But if there is some ranking of priorities, I would welcome it. Otherwise I will continue to govern in the best interests of Saskatchewan people in a balanced way that looks after health care, education, capital; make sure that we've got our critical infrastructure looked after; make sure we're able to put money into tax reductions and increased operating spending.

In terms of the issue of oil and gas revenue that the member asked, I regret I don't have that information available today. We don't have that breakdown. That would be a question better addressed to the Department of Industry and Resources who have the detail with them. And so if the . . . I assume Industry and Resources is appearing again at some point before the committee. And I will pass on to the minister that that information is being sought, and we'll strive to have officials ready with that.

**Mr. Cheveldayoff:** — Thank you, Mr. Minister. So in between yourself and the Minister of Industry and Resources, if you could undertake to answer that question and get me that information before the end of session, I'd appreciate it.

And also a further question along that line, could the minister and his officials provide us a breakdown of oil and gas royalties by area — examples of Lloydminster, Kindersley, Swift Current, Weyburn, Estevan, and the Southeast? Are we able to get a breakdown, however it is calculated, from your perspective in a rough manner? But I'm sure there is some type of breakdown. Could the minister undertake to provide us with that information as well?

**Hon. Mr. Thomson:** — From my time as the minister of Energy and Mines, it seems to me that we are not easily able to disaggregate that kind of information. And that's for two reasons. One is competitive reasons. And second is simply the ability to make sure it's accurate. And so we are not really in a position to disaggregate the overall numbers. We can certainly get it by type of production. But to start breaking it down by community or geographic region often will be difficult to achieve. But we can raise that again with Industry and Resources and see whether perhaps that's easier done now. I know when I was minister of Energy and Mines that was not a possibility. So we'll pass that on.

**Mr. Cheveldayoff:** — Thank you, Mr. Minister. I don't, I guess, understand how it would be that difficult to break it down, you know, whether it's done by RM [rural municipality]

or how the, you know, the calculations are made that there should be some way to generally extrapolate that information. But I'll leave it with you to provide the best information that you can. I think you understand what we're looking for here by geographic area, and if you need further information from me on that I'd be available to try to help with that request.

Last time the committee discussed the Department of Finance estimates, the minister indicated he would attempt to provide us with the numbers regarding the environmental fees that the government collects on the sale of certain consumer items. Are those figures available today? Are you able to share some information with us?

**Mr. McGregor:** — Member, if I may just present on behalf of the minister. I'm going to read a number of things, if I may, and then obviously open for questions. The first I think as part of last estimates, the government does not levy an environmental tax per se.

The Minister of Environment is responsible for setting the environmental handling charge and refundable deposit collected on beverages sold in non-refillable containers. And as a result then, the minister is responsible under the liquor control Act to set the level of the environmental handling charge and the refundable deposit.

The minister is also responsible for the environmental management protection Act which allows the government to set fees for the collection and recycling of scrap tires, used motor oil, and used paint, and that's done through the private sector. So there's no straight government revenues from that particular source.

Returning back then to the two that the government does collect, in terms of the environmental handling charges, the estimate for 2006-07 is for the government to collect \$13.7 million from that, and those revenues are recorded in the category sales, service, and service fees in the revenue descriptions.

In addition the way the government manages the deposits is that they report that on a net basis. In other words, the amount that is collected on behalf of the government is then reduced by the value of the refunds that are done through SARCAN. And SARCAN is the agency of record that does these for the government. And we estimate for the 2006-07 year that the amount of deposits which will not be refunded is about \$3.6 million. And the Environment department advises the Finance department that about 90 per cent of all containers are returned for recycling, so there's a residual amount that is held on behalf of the government.

The member, as well through the Chair, asked what agency would be involved in administration and what the expenses would be? And the agency record is SARCAN. In 2005-06 SARCAN received a total of \$10.6 million from the GRF [General Revenue Fund] to operate the collection and recycling program. And then for 2006-07 that amount is to be increased to \$11.3 million. And that's the first year of a new three-year agreement with SARCAN. And the \$11.3 million in funding is identified as beverage container collection and recycling system under subvote (ER11). And that's the information I have for the

member.

**Mr. Cheveldayoff:** — Thank you, Mr. Acting Deputy. I understand that you're referencing a document there. Do you have information that you can share with us as far as the document goes?

**Hon. Mr. Thomson:** — *Hansard* is probably the best reference. I can see if we've got a chart that we can . . . I'm not in a position to table this ministerial briefing note, but if the member wants I can provide him with a memo of similar content.

**Mr. Cheveldayoff:** — Thank you, Mr. Minister, I'd certainly appreciate a memo of similar content. Although I am a little curious what's in those ministerial briefing notes that he doesn't want me to see, you know.

**Hon. Mr. Thomson:** — Barbs that I . . .

**Mr. Cheveldayoff:** — Is somebody writing your political jabs at me for you or . . .

**Hon. Mr. Thomson:** — All my best stuff is usually written by someone else.

**Mr. Cheveldayoff:** — Mr. Chair, to the minister, I want to talk about the involvement of Saskatchewan as a province with our neighbours to the west — Alberta and BC [British Columbia]. I'm looking at an article here. The title is, "Calvert cautious about joining deal between Alberta and BC." The article goes on to talk about the two western neighbours of ours getting together to knock down trade barriers, a groundbreaking agreement that spurs economic growth and development. The Finance departments of both provinces were intricately involved here.

And I just want to ask the minister I guess, does he see a role . . . Well first of all does he agree with Premier Calvert's cautious approach about getting involved with Alberta and Saskatchewan? And does he see a role for the Department of Finance to show leadership in this area?

And the Premier has indicated that we weren't invited to certain meetings. Does the minister see a role for the Saskatchewan Department of Finance maybe to extend the hand to those Western provinces and see if there is a way that we can join them in breaking down some of these trade barriers?

**Hon. Mr. Thomson:** — The Premier's caution, as I understand what he has articulated and certainly shared with the cabinet, is not a concern about participating with Alberta or BC. It is a question of us needing to be very cautious as we enter into further trade liberalization within the country, to make sure Saskatchewan's interests are well represented. That need not always be on a bilateral arrangement as BC and Alberta are pursuing. In many cases we are better off participating through the normal AIT [Agreement on Internal Trade] process of looking at reforms at the federal-provincial tables that are working on this.

Certainly we are of the view that the western economies are going strong, that we have a tremendous opportunity, that we

are enjoying today a prosperity that we have not seen in generations, that we have in place an agenda for growth and development that is going to secure Saskatchewan's place as a have province, and that there are many ways that we can do that. There are a number of tables that we are engaged in today within the federation to help secure that.

The Minister of Advanced Education and Employment works closely with her colleagues across the country on labour force development. We are certainly disappointed that the federal government has now cancelled our labour market agreement. This is a grave disappointment for us and the cost of \$100 million to Saskatchewan. However, we'll continue to work at that federal-provincial table and at the provincial-territorial table to make sure that we can work on labour force development issues that benefit us.

We will continue to work on the two major files that are in front of us as a result of the federal government initiatives today, namely the equalization initiative which is a significant problem for Saskatchewan today but one that we have great hope that the Prime Minister will be able to correct now that he has taken office with a strong western complement of MPs [Member of Parliament].

The third area that we've identified that is significant for our growth is the issue of dealing with the fiscal imbalance that the Prime Minister has identified within the country. This is not necessarily tied directly to the issue of economic activity as much as it is to the cost sharing and sharing of the burden of the various programs that are offered throughout the country and making sure we have the right mix of who pays for what.

So we are interested in working to strengthen Saskatchewan's place in the western North American economy, within the global economy, within Canada's economy at a number of different tables. Whether this specific initiative launched by BC and Alberta is one that we should participate in, we haven't yet decided. Frankly we haven't yet been invited.

And so what we'll need to do is continue to work with that, but I have had discussions with a number of my colleagues across the country in the last number of weeks about what it is what we can do to work with the federal government in advancing their agenda and advancing our interests on behalf of Saskatchewan citizens, and we'll continue to do that.

**Mr. Cheveldayoff:** — Thank you Mr. Minister. Mr. Chair to the minister, I'd just encourage you to not wait for the invitation, to take a leadership role. And I know that there's certain areas where Saskatchewan can show a leadership role, and I indeed hope that that happens in the future.

I see that our time is rapidly running out. Just a couple of more questions if I may.

Today we heard about a small-line manufacturing company in Saskatchewan announcing their displeasure with the highways in our province. And they talked about or indicated what they estimated the economic impact would be from that small-line manufacturer to the province, the benefits that the province would derive. And I don't know if the minister has any information in this area or if it's something that's on the minds

of the Department of Finance, but is there a way of tracking the economic development, the economic dollars that are rolling along on highways in Saskatchewan?

For lack of a better term, is there a way to identify where limited resources could best be spent to help Highways dollars go to where they would have the most economic development for the province? Is that something in your knowledge that the Department of Finance is looking at or the Department of Industry and Resources, or is something that's just not contemplated whatsoever?

**Hon. Mr. Thomson:** — This is a central issue that is dealt with by the Department of Highways. And they take a look at a number of issues around where the economic corridors are in the province and what the funding requirements are to deal with them. We have certainly been pleased to provide a significant new provincial money into the Highways budgets, both for maintenance and expansion.

I'm very pleased to be able to report that we have, as a result of provincial contributions, been able to accelerate the programs for the twinning of our major highways, that we have been able to . . . We will by the end of next year see Highway 1 twinned from boundary to boundary. Highway 16 West will be twinned all the way to the Alberta border. We have seen a tremendous amount of work being done in terms of reconstruction of TMS [thin membrane surface] roads into heavy haul roads, which come of course at significant cost as the bases are rebuilt.

And we have tried to pick up the slack of what has been cut out of the transportation system with the loss of the Crow. This budget provides record spending for Highways. It is a budget that I still believe members opposite should reconsider and should support. And that we will continue to work with industry through the Department of Highways and Transportation to identify where the best places are to put that highway money.

One of the issues that we will continue to press the federal government on is for a national highways program. This is the only federated country in the western world that the federal government does not have a national highway system. And any of us that are familiar with the US interstate system know the tremendous benefit that could be provided if the federal government simply took responsibility for the major national highways, and then allowed the provinces to have responsibility for the secondary road system.

The amount of money that this would free up for Saskatchewan would be tremendous, and at the same time providing excellent corridor access on Highway 1, Highway 16. We would likely look at the options around what we have in the north-south corridor route, whether that's the 639 corridor down into Weyburn, Estevan connecting to the US, or whether it is the highway — is it 10 further over? — that connects to the US.

There is all sorts of opportunity there. But to date, none of the federal parties that have held office seem to be interested in this. So we will continue to push them on this. And we will continue to work to make sure record budgets are able to be provided. We're looking right now at about \$1 billion being spent over the next three years on highways. And I will continue to push the member to find a way in his heart to support the budget in

that regard.

**Mr. Cheveldayoff:** — Thank you, Mr. Chair. Mr. Minister, thank you for the information that you have provided. I guess it's somewhat surprising to me to hear that the Department of Highways does consider this and does have a ranking. I'm really at a loss to wonder why then highways around St. Brieux are in the state of disrepair that they are.

Is that information public information that the Department of Highways shares with the public? Does the minister know? And could he undertake to provide that information to me?

**Hon. Mr. Thomson:** — This would need to be addressed with the Department of Highways and Transportation. It's not a file that we are involved in, in the Department of Finance.

**Mr. Cheveldayoff:** — Thank you, Mr. Minister. Mr. Chair, to the minister, to his officials, thank you very much for coming to the legislature today. I had a tremendous amount of questions. I appreciate the answers and the undertakings to provide me with additional information. And seeing that our time is expired, Mr. Chair, I thank you for the time as well.

**The Chair:** — And thank you, Mr. Cheveldayoff. Mr. Thomson.

**Hon. Mr. Thomson:** — Thank you very much, Mr. Chairman. I too would like to thank the officials for their time here today and for making sure that we have, where possible, the answers to the questions. I always appreciate the debate in the committee and enjoy the opportunity for us to talk about how it is we strengthen Saskatchewan's finances and our economy. So thank you once again to committee members.

**The Chair:** — Thank you, Minister. I'd like to thank not just yourself, not just your officials, but the committee members as well. The agreed upon hour of adjournment being past, this committee stands adjourned. Thank you.

[The committee adjourned at 17:33.]