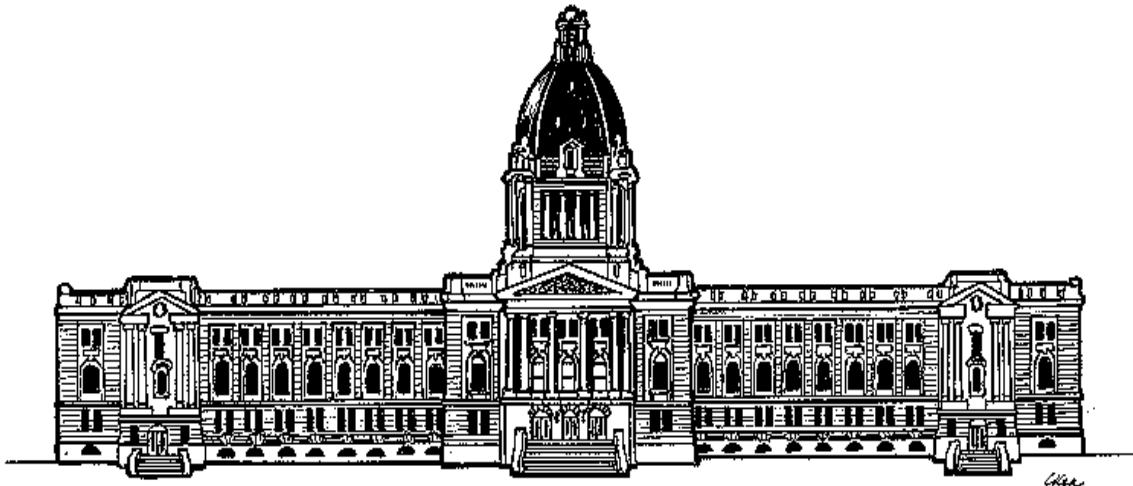




STANDING COMMITTEE ON INTERGOVERNMENTAL AFFAIRS AND INFRASTRUCTURE

Hansard Verbatim Report

No. 23 – April 28, 2006



Legislative Assembly of Saskatchewan

Twenty-fifth Legislature

**STANDING COMMITTEE ON INTERGOVERNMENTAL
AFFAIRS AND INFRASTRUCTURE
2006**

Mr. Ron Harper, Chair
Regina Northeast

Ms. June Draude, Deputy Chair
Kelvington-Wadena

Mr. Denis Allchurch
Rosthern-Shellbrook

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

Mr. Andy Iwanchuk
Saskatoon Fairview

Hon. Maynard Sonntag
Meadow Lake

Mr. Kim Trew
Regina Coronation Park

[The committee met at 11:50.]

Consideration of Regulations

The Chair: — I will convene the meeting of the Standing Committee of Intergovernmental Affairs and Infrastructure. The first item of business before the committee will be the consideration of the regulations. That package was made available to the members yesterday. I recognize Mr. Ring, and I ask Mr. Ring to give us any opening remarks he may have.

Mr. Ring: — Thank you very much, Mr. Chair. I just have a few general opening remarks and some information for members. I'm certainly pleased to be here. This is the first time that regulations are being considered by the new policy field committees, so I think it is important to underline that. That now regulations and bylaws are also falling under the purview of the policy field committees.

The other remark I'd like to make is that the Law Clerk and Parliamentary Counsel as well as the two staff in my office provide significant committee support to the committee structure in terms of legal services and the review of regulations and bylaws.

Despite sitting at the witness table, I would like to reiterate to members that I am on your side and am here to assist you in your work as the members of the Legislative Assembly.

The Chair: — Thank you, Mr. Ring. I think I can speak on behalf of all the members when I say I think we're very pleased that you are on our side.

Any questions of Mr. Ring in regards to the regulations? Not seeing any questions, Mr. Ring, if you wish to carry us through this now?

Mr. Ring: — Yes. Thank you, Mr. Chair. First item on the package in the purple . . . It's a purple sheet that was distributed yesterday I believe.

With respect to the 2003 regulations, there was only one regulation where I wrote the minister of Intergovernmental Affairs with respect to that regulation. And to be fair, this letter was not sent out again after the cabinet shuffle so that the minister would have had a chance to respond and they would have had an opportunity to respond to the letter. That being the case, I'm suggesting to committee members that I send out another copy of this letter to the minister asking for a response. And then when we have a formal response from the minister, we could either close the file, or the committee could consider the issue and have both sides of the issue before it.

The Chair: — Thank you, Mr. Ring. Any questions for Mr. Ring? Mr. Allchurch.

Mr. Allchurch: — Thank you, Mr. Chair. Mr. Ring, I would suggest that you send out another letter just to advise them and bring it back later on.

The Chair: — Mr. Ring.

Mr. Ring: — Yes, thank you very much. The letters that I've sent out on the other regulations were an indication that the policy field committees were now reviewing regulations and that it was possible these would be coming forward and asking for a response.

With respect to 2003, that concludes any regulations that I had concerns on or that I wrote about. You do have a list there of 2003 regulations indicating no concerns.

And this would be not the time, but that's an indication list for members as to regulations that they may wish to bring forward regarding policy issues. The Law Clerk and Parliamentary Counsel does not review the regulations with respect to policy matters. That falls squarely within the purview of the members in the policy field committees. If you have some legal issues with respect to that, I certainly would be available to assist members of the committee reviewing the regulation or looking at the regulation. But the office or myself would not take any position with respect to the policy intent of the regulations.

I also have lists for regulations from 2004 and 2005. In both of those years there were no legal issues to review either. So you have lists for those years as well.

The last item that I'd like to bring to members' attention is a copy of *The Saskatchewan Gazette* that we discussed when we did the regulations orientation. And so if I could have this distributed to members, I'll just sort of give you a copy of what the document looks like if you would like to review any of the regulations for policy. Now that the document's been circulated, it is just a copy of the front page of *The Saskatchewan Gazette*.

Now for members who wish to look through the *Gazette* with respect to finding a particular regulation, when you look at the front page of the *Gazette*, there is part I and then, highlighted in the middle near the bottom of the page, it says part II. And you will notice that there are three regulations listed there. So if you have an issue with respect to any one of those regulations — AAIA [automobile accident insurance amendment], The Justices of the Peace Regulations, or real estate regs — that would be an indication for you to look there, and it gives you the page number on the right-hand side.

If you turn to the second page, that is a separate document that comes out with *The Saskatchewan Gazette*, and this is the title page for part II of the *Gazette*. It lists the regulations and the regulations are found immediately after that page. So if you're looking for those regulations, you can find them there.

Now if we could go back to the title page again, I just draw your attention to the top left-hand corner of that document — where it is highlighted — there's a box and it says: "This issue has no part III (regulations)." Those are unrevised regulations that are slowly being brought into part II of the *Gazette*. And if there would be part III regulations, they would as well be listed at the bottom of the title page under the heading part III, with their titles listed.

So this is the document that members can look for. They are available in the caucus offices for members to review and read.

And this is *The Saskatchewan Gazette* that I was referring to when I made the presentation at the regulations orientation meeting that we had.

So unless there are any other questions, that's my presentation for today. And I'd also like to take the opportunity to thank both of my staff, Allison Gartner and Ron Samways, who have done a significant amount of work preparing materials, drafting the letters, putting up with my numerous changes to the letters before they go out, and getting the material prepared, copied, and ready to present to you this morning. Thank you very much.

The Chair: — Thank you, Mr. Ring. Are there questions? Mr. Allchurch.

Mr. Allchurch: — Thank you, Mr. Chair. I would also like to extend to Mr. Ring and his officials — all — congratulations and thank you for all of the work you and your officials have done in regard to this.

The Chair: — And, Mr. Ring, on behalf of the committee I would also like to thank you and your staff for the numerous hours that you put into this. It's obvious, and we appreciate it.

Mr. Ring: — I'd also like to thank the committee for being able to appear at this time and not having to put two additional hours in until after the estimates that are presently on your agenda. Thank you very much for that.

The Chair: — Thank you. To the committee, we will take just a brief recess to allow the next item of business and the minister and officials to appear before us, which will be the consideration of estimates and supplement estimates for the Department of Northern Affairs.

[The committee recessed for a period of time.]

**General Revenue Fund
Northern Affairs
Vote 75**

Subvote (NA01)

The Chair: — The item of business before the committee is the consideration of estimates for the Department of Northern Affairs vote 75 and 163. I recognize the minister and I ask the minister to introduce her officials.

Hon. Ms. Beatty: — Thank you. I'm pleased to introduce my department officials with me here today.

To my immediate left is Al Hilton, the deputy minister. To my right is Glenn McKenzie, assistant deputy minister. And to the left of Mr. Hilton is Anita Jones, executive director of planning and financial management. Richard Turkheim, executive director of industry and resource development is behind us here. And I would like to make a few opening comments.

I am pleased to be here today in my rather new capacity as Minister Responsible for Northern Affairs to discuss the department's 2006-07 budget. The department's mandate is to promote the social and economic development of northern Saskatchewan communities, in partnership with the federal

government and our northern partners.

The department supports economic development in the North and offers a northern perspective on issues across government and coordinates different government activities in the northern administrative district.

I take great pride in the role this department plays in supporting all types of industry, from the traditional to the modern. Northern Affairs promotes tourism, forestry, commercial fishing, trapping, and wild rice.

At the same time, mining continues to expand in the North with record levels of exploration and strong industry employment. Northern Affairs supports the mining industry from exploration to the decommissioning and long-term care of mine sites. Through development of a diverse range of economic opportunities, we are determined that northern families and communities can improve their quality of life.

And some of the highlights from the '06-07 budget are as follows. The department's '06-07 budget continues to build on our past success. Our priority will continue to be expansion of the northern economy, the foundation for meeting social and community development objectives.

The Northern Development Fund loan program increased by \$5,000 from 2.0 million in loans in '05-06 to 2.5 in '06-07. The Northern Development Fund provides commercial loans to northern businesses and primary production loans to trappers, commercial fishers, and wild rice growers. The department expects to provide 15 to 20 commercial loans to northern businesses as well as 75 to 100 primary production loans to trappers, commercial fishers, and wild rice growers.

The department also received 200,000 for two additional capacity and relationship building staff. The North is currently seeing high levels of investment, and this staff will help to ensure that northerners receive the maximum benefit from economic activity in the North. Northern Affairs will focus on building capacity for northerners to direct their own development through training, job creation, management experience, and entrepreneurship.

Industry and Resources, and Environment, have also been provided with funding and positions to support the involvement of northern people in developmental opportunities. Capacity building is a key component to the Roads to Prosperity program announced last year by the Premier. We continue to work with other departments to accomplish this goal. Consultation and co-operation are essential as we move forward.

Under programs and services, I would now like to talk about some of the other range of programs that Northern Affairs is responsible for, programs that focus on economic development in the region. The Northern Development Fund provides grants to support northerners with marketing, research, and organizational development. Their grant program also promotes youth entrepreneurship. The Northern Development Fund also continues to provide financial support for five regional development corporations, totalling 256,000.

Another important program is the northern commercial fishing

transportation subsidy program that provides financial support for the commercial fishing industry through a freight subsidy support mechanism. This program is accessed by more than 500 northern fishers.

Northern Affairs works with other provincial departments, the federal government, and the Northern Development Board Corporation to deliver the Northern Development Agreement, a groundbreaking tripartite approach to northern development. To date 38 projects valued at more than 11 million have been approved under the Northern Development Agreement. The projects include transportation, high-speed Internet access, create training opportunities, and support economic development in the North.

One of the department's key committees, the environmental quality committee, continues to play a crucial role in meeting industry and regulatory requirements for committee inputs into the development and management of our uranium industry. The environmental quality committee continues to represent 32 northern communities impacted by uranium mining.

Other activities in the North . . . There are many other developments that are occurring in the North. For example, cabinet approved the northern economic infrastructure strategy in October 2005 and the province provides 8.55 million in 2006 and '07 towards the full 65.5 provincial commitment. This will allow the province to begin construction on several projects, including the Garson Lake road to connect La Loche and Fort McMurray, an overland road to Wollaston Lake, and improvements to various northern community access roads.

Another major initiative is the implementation of the northern abandoned uranium mines cleanup project. Over the course of 2006 and '07, Northern Affairs and Industry and Resources will work with the Saskatchewan Research Council to implement this initiative. The provincial contribution to this project is 12 million, to be matched by the federal government, bringing the project total to 24 million. The federal government committed to match this funding in June 2005 and is expected to provide the funds in 2006.

This budget reflects this government's commitment to work with and on behalf of northerners as we continue to develop northern Saskatchewan. I look forward to working with all northerners to maximize the benefit realized by residents of northern Saskatchewan as we develop the North's abundant resources. And I look forward to, along with the officials, to answer any questions that you may have today. Thank you very much.

The Chair: — Thank you, Madam Minister. Mr. Allchurch.

Mr. Allchurch: — Thank you, Mr. Chair. Madam Minister, welcome to your officials here today as one of the meetings that we will have to ask questions and have answers given to us.

In the Northern Affairs budget, the budget is only 5.7 million. It has been roughly around that same figure for a number of years. Is there a reason why the government has only a budget of 5.7 million this year and continue to be on that same number when we're in a year where there's so much revenue within the province?

Hon. Ms. Beatty: — Mr. Chair, overall, you know, one of our responsibilities as well is to provide coordination amongst all departments, various departments across government. And a lot of the initiatives are provided by other departments, other than directly from Northern Affairs.

And I guess an example of that would be the northern mines, abandoned uranium mines cleanup that's going to be happening. And also the Northern Development Agreement is a cost-shared initiative between the federal and provincial government. So it's not just from Northern Affairs; it's from different departments where funding can be accessed.

Mr. Allchurch: — Thank you, Madam Minister. So in that regards, if there's other ministries that fund money into the North, being that the ministry of Northern Affairs is only a small budget of 5.7 million, what is really the value of Northern Affairs if there's so many other agencies that work within the northern part of the province?

Hon. Ms. Beatty: — I will make some remarks. And if the deputy wants to add, he can. From my perspective, one of the biggest issues we have when it comes to northern Saskatchewan is that there's so many unique challenges when it comes to geography, communication needs, and even just basic understanding of the culture. And as a result, we do need a department that will help other departments to be more sensitive to those kinds of challenges and issues that we face as northerners. So I think that's a critical job that Northern Affairs provides. And that's a huge part of it. And then maybe the deputy, if you want, you can make additional comments. But that's what I see.

Mr. Hilton: — Thank you, Minister. I think it's fair to say that there are business development services that are provided to northerners by Northern Affairs that otherwise would not be provided, that aren't provided through other departments. I think it's fair to say that through programs such as the Northern Development Agreement, Northern Affairs has been the department that government has used to negotiate with the federal government on uniquely northern issues.

And beyond that I think that Northern Affairs, in terms of the relationship that we manage on government's behalf with the uranium industry and with communities impacted by the development of the uranium industry, we play a unique and value-added role in regard to that as well. So there are some unique things that are captured in our mandate and in the services that we provide that are uniquely northern.

Mr. Allchurch: — Thank you for the answer. Madam Minister, just in regards to the uranium mine cleanup, wouldn't that be well-served better through Environment rather than through Northern Affairs?

Hon. Ms. Beatty: — I will make comments and the deputy can add to my comments. One of the critical roles the department plays is again, as I said earlier, in the area of communications and ensuring that northern communities, you know, are part of monitoring what's going on as far as uranium development in the North is concerned. And one of those ways we're doing this is through the environment equality committees. And that includes something like 32 communities that are represented on

there, and they continue to be part of the monitoring as far as uranium development in the North is concerned.

So, you know, I see that as a key communication link between industry and government. And for sure there is different areas of responsibility that industry provides, other departments provide — like Environment, and Industry and Resources — for sure. So that's how I view it. Did you want to make additional comments?

Mr. Hilton: — I guess just to say that on a project like the cleanup of abandoned uranium sites, it's very much a team effort. Northern Affairs will work with Environment, and we'll work with Industry and Resources. As well we will work with federal regulatory authorities such as the Canadian Nuclear Safety Commission.

Within Northern Affairs we have the instrument called the environmental quality control committee which is a committee made up of representatives of 32 communities. So we have the instrument within our department that allows us to engage with communities and industry on all things uranium, including cleanup issues.

And the additional responsibility that Northern Affairs would have with respect to the cleanup of abandoned uranium sites is to try to ensure the best we can that the business and employment opportunities that flow from that project benefit northerners and local communities. So that's a unique perspective that we bring to government's management of this project.

Mr. Allchurch: — Thank you for the answer. One of the things that I have found in my travels to the North, and I have been there many times — I'm not one that was born and raised there as the minister is, and she is probably qualified better than me to know what's going on up there — but in my travels and learning how northerners feel and how they feel that they sometimes are not part of the whole picture as far as Saskatchewan, and one of the things that comes up is the ministry of Northern Affairs.

It's a small budget but when they go to try and find out, to resolve issues in the North, whether they go to Northern Affairs — and that's their first prime area where they go first of all — they are always subjected to going to different ministries to get their answers. So again I'm wondering with Northern Affairs, what is the purpose of Northern Affairs if everything has to be farmed out to all the other ministries?

Hon. Ms. Beatty: — Well like you say, I am from northern Saskatchewan. I've experienced some of the frustrations, I guess, you talk about as not only a northerner but anybody that tries to deal, either it's government or industry. You know, you do have a sense of frustration for sure. But I also believe that Northern Affairs' role is really critical to northerners in terms of culture and understanding and being more friendly, I would say.

And also there is another critical difference that I think we need to understand. In my own constituency, for example, there are First Nations communities that fall under federal jurisdiction. A lot of times that's a huge issue because traditionally we're not responsible for on-reserve program delivery. And that's a

discussion that continues onward and I don't know how long that's going to continue.

But one of the most exciting things for me as a First Nations person, for the first time for example when it comes to road improvements, that's going to include First Nations communities. A bulk of my constituency, for example, is First Nations communities. And so that's good news for me.

And then when I look at some of the economic development initiatives under this government, including Northern Affairs and First Nations and Métis Relations, there's going to be access to economic equity dollars, for example, and that's good news.

I mean, when it comes to understanding program delivery and what's relevant and what's meaningful to the North, we need a department. And for the most part a lot of those folks are from northern Saskatchewan as well. So there has to be a keen and deep understanding of the issues of the North and the culture and the unique needs of northern Saskatchewan. And I think . . . And I know that this department plays a huge role in that.

There is no question that I would love to have more dollars, you know, to work with in Northern Affairs. And that's something that we continue to review and assess and see what happens down the road. But for sure there's a lot of need in the North. And we continue to do the best that we can under the present budget that we have.

Mr. Allchurch: — Thank you, Madam Minister, Mr. Chair. Is it fair to say then that the Department of Northern Affairs, their major role is to work with the federal government and federal officials in regarding the needs of the people from the North across the province of Saskatchewan, not just Western Canada?

Hon. Ms. Beatty: — For sure I think, Mr. Chair — I should be addressing Mr. Chair once in a while here — for sure that our role is one of partnership. And that's something that is nothing new to the northerners. We need to work together to provide service and access to northern Saskatchewan, whether you're talking about the federal government, whether you're talking about industry and the province.

So a lot of times when programs are developed, you know, they're not always meaningful to northern Saskatchewan. So that's the other thing that we have to be aware of — how we deliver and how we do things. So that's one critical area that Northern Affairs provides. And like I said earlier, you know, we provide advice and work with other departments so that they're more sensitive to those kinds of issues.

Mr. Allchurch: — Thank you, Madam Chair. Mr. Chair, when you look at the province of Saskatchewan there's two ministers both from the North. They've been ministers for many years. When you look at the budget there's only a \$229,000 increase. And yet with that small increase in the budget, the FTEs [full-time equivalent] requires two more. The FTEs would basically use up the 229,000. So where is the money going for the northern people when it's used up in administration?

Hon. Ms. Beatty: — I think, Mr. Chair, one of the biggest challenges that we have in northern Saskatchewan is capacity

— technical expertise. And with the kind of development that's happening in northern Saskatchewan, we need that more than ever.

So the role of government is to provide that kind of support and to ensure that northerners are part of the development that's happening in northern Saskatchewan. And the additional staff that you're talking about will help provide that. And other departments — Environment, and Industry and Resources — will also have additional staff to coordinate that kind of expertise that's needed in northern Saskatchewan.

Mr. Allchurch: — Thank you, Madam Minister. Well for somebody — whether it's from the North or the South — when they look at this and they see that it's only 229,000 of an increase in the budget and they look at the FTEs going up too, they're saying to themselves, why is there more administration in the North and why is there less money going to look after the people from the North? You'd think with the amount of money that the province has as a surplus this year, there would be more money going into the North.

Because when you look at it geographically, the North is bigger than 50 per cent, and yet there's virtually no money going into it. And then when you look at from where the government is looking, and they only add a few dollars but yet their administration goes up. It doesn't really look good for the people of the North when all the money going to the North actually is tied up in administration.

Hon. Ms. Beatty: — Mr. Chair, I guess I come from a different perspective because I know the need that's at the regional level. You know, I guess to some extent you're talking about . . . And there's different parts of northern Saskatchewan that are stronger in capacity than other regions. I look at the Far North; there's a lot of activity, a lot of business partnerships there. I look at the west side where there is more Métis representation, and the province is able to deliver more in the communities, programming into the communities. I look at my region which is a lot of the First Nations communities. There's still not that capacity there.

So we need the expertise to help the people from, you know, different parts of the North to build their capacity, to access dollars so that they can access more training dollars for example so that there's more skilled training, you know, for their young people. So that's the way I look at it.

And when you look at the provincial funding to northern Saskatchewan, it's over \$145 million in this budget alone. And this is encouraging development and employment opportunities, better roads, better health services, educational facilities, forest fire building capacity, and better justice programs. So there's different initiatives that are happening. And so, like I said earlier, for sure I would love to see more dollars, but we're continuing to work and progress.

Mr. Allchurch: — Thank you, Madam Minister. Mr. Chair, in the highlights of the Northern Affairs budget, there's \$300, an increase to regional development and program services. Can the minister explain what that \$300,000 is going for?

Hon. Ms. Beatty: — Mr. Chair, the total increase is 419,000,

and that includes 200,000 for the two FTEs, you know, that we talked about earlier and also \$100,000 increase to its loan loss provision for the Northern Development Fund loan program.

Mr. Allchurch: — Thank you, Madam Minister. Mr. Chair, that was my next question, is there was \$100,000 decrease in the loan loss provisions of the resource and economic development subvote. What was the \$100,000 for?

Hon. Ms. Beatty: — I will ask, Mr. Chair, the deputy to answer that.

Mr. Hilton: — Thank you, Minister. Mr. Chair, the loan loss provision under subvote (04) has been increased by \$100,000. By regulation we need to provide for a loan loss provision of 20 per cent of the total amount of money under the loan program that we're allowed to loan. And because the total amount of money available for us to lend in this budget year has gone from 2 to 2.5 million, the loan loss provision has to be increased by \$100,000 in order for us to meet our regulatory obligation of 20 per cent.

Mr. Allchurch: — Thank you, Madam Minister, the Northern Development Fund . . . [inaudible] . . . has a budget of 512,000. The loan loss provisions for the same fund was \$500,000. Why is a loan loss provision almost as high as the loans amounts?

Hon. Ms. Beatty: — Mr. Chair, there is no direct relationship between the two figures.

Mr. Allchurch: — Mr. Chair, I asked the minister why.

Hon. Ms. Beatty: — I'm going to ask the deputy to elaborate further.

Mr. Hilton: — Mr. Chairman, the budgetary line for the Northern Development Fund that is set at \$512,000 represents grant funding of 205,000 under the NDF [Northern Development Fund] grant program, and it represents 307,000 for grants that we make to regional development corporations and to the Northwest Regional Development Council. There is no relationship between the amount of money that we make available through the \$512,000 and the loan loss provision, which is related entirely to the amount of money that we have available to lend through our loans program.

Mr. Allchurch: — Thank you. Mr. Chair, in your remark earlier, you said that there was a 20 per cent loan loss provision. Is that 20 per cent loan loss provision for all departments in the North, or is it just for Northern Affairs?

Mr. Hilton: — I believe, Mr. Chair, that the 20 per cent loan loss provision is unique to the Northern Development Fund loan program.

Mr. Allchurch: — This is just for one department?

Mr. Hilton: — It is my understanding that the 20 per cent loan loss provision in regulation applies only to the Northern Development loan fund program.

Mr. Allchurch: — When did this come into effect and why is it in place?

Mr. Hilton: — If I inadvertently mislead the member I'll ask my executive director to help me out.

As I understand it, the 20 per cent loan loss provision was mandated in regulation in and around 1995. And the thought behind the 20 per cent loan loss provision was that we wanted to create a loan loss provision that would provide sufficient security against any potential losses to government revenue that might be associated with lending money under the program, keeping in mind that the Northern Development Fund is a developmental fund and it is the only loan program available to northern primary producers, for example. So back at the time it was decided that 20 per cent would be a reasonable loan loss provision.

Mr. Allchurch: — Thank you. Since its inception for the NDF, 1995, there's been approximately 17 million loaned since that time. What percentage of FDF loans have been in default?

Mr. Hilton: — I may be incorrect here. I think the total amount of money loaned out over the program is actually closer to 18 million than 17 million. To date we have written off very little money — I think probably 50 to \$60,000. I'm told that the amount of money at risk, given the writeoff request that I understand is forthcoming, will put us at a writeoff rate of about 6 per cent. And depending on how successful our collection efforts are on some current loans that are at risk, if I could use that word, that rate might go as high as 8 or 9 or 10 per cent over the course of the next couple of years.

Mr. Allchurch: — Thank you, Mr. Chair. So if it's 50 to \$60,000 dollars to date from 1995. Why then does the government need to put \$100,000 increase into loan loss provisions for this year's budget alone?

Mr. Hilton: — The loan loss provision that's budgeted for is not related to the actual amount of default that we have on our loans. It is related only to the total amount of money that we have available to lend. So by regulation, notwithstanding what the default rate is, the amount of money that we have in our loan loss provision has to be 20 per cent of the total amount of money that we have at our disposal to lend.

Mr. Allchurch: — Mr. Chair, what are the minister's targets for loans in default?

Hon. Ms. Beatty: — Mr. Chair, as I said in my opening comments, the department expects to provide approximately 15 to 20 commercial loans to northern businesses; 75 to 100 primary production loans. There is no default target set. So far the default rate has been between 6 and 8 per cent. So we expect that would probably be, on a go-forward basis, will be about 10 per cent.

Mr. Allchurch: — Thank you, Madam Minister, Mr. Chair. In regards to the answer regarding the percentage of NDF loans which the member said 50 to \$60,000, based over probably 10 years because it started in 1995, and with your budget this year there's \$100,000 put in for loan loss provisions, what happens to the money for the loan loss provisions that is not utilized? And the reason I ask that is because if you look 50 to \$60,000 based over 10 years is a very low figure on an average. What happens to the money that is put into the budget for a loan loss

provision and it is not being utilized? Because it can't be utilized if the maximum for the 10 years is only 50 to 60,000.

Mr. Hilton: — Mr. Chairman, I'll ask Ms. Jones to help me out here if I don't get it technically correct. When we do not use the entire loan loss provision within a year — which quite often we don't — the amount that we don't use essentially goes into a bank, if I can call it that.

I think I was almost on the right track. If there's a total portfolio amount outstanding under the loan program, we have to have enough money under the loan loss provision account, that we don't use, to cover the 20 per cent. So it's accumulated. And what isn't used, as I would understand it, gets returned to the General Revenue Fund.

Mr. Allchurch: — Thank you for the answer, Mr. Chair. At that rate then, if you look on an average of the 10 years, there must be a fair amount of money going back to General Revenue. Am I not correct?

Ms. Jones: — If I can answer this. Now if I can just clarify from the beginning, because now we're getting more into the annual accounting treatments of how we deal with loan loss and allowance for doubtful accounts.

From the inception of the program, every year at this time we assess our loan portfolio and the risks of our loans. We assess the value of the loan portfolio again with the security that clients pledge against their loans.

The loan loss that we report on a yearly basis is what we call an allowance for doubtful accounts. If there's a substantial difference between the loan portfolio and the valuation of the assets . . . And I'll just artificially give you an example. If the loan portfolio is \$2 million and the value of the collateral is 1.8 million, there's a \$200,000 shortfall if those clients would go into default. That would be the annual allowance for doubtful accounts that we would set up — a charge against the loan loss provision — and that's when it becomes an expense for the Government of Saskatchewan. In that example, if we had the \$400,000 budget, we would access 200. The remaining 200 goes back to the GRF [General Revenue Fund].

Now so every year when we do an annual allowance for bad expense, it goes into what is now a bank account, if I may call it. We accumulate an allowance, okay. So right now we accumulate and then when we get to the position we feel these accounts cannot be collected any more and we've undertaken all our collection procedures that's required, we will then proceed to write off and charge against what's been banked and draw down on that. So on a yearly basis, this loan loss is used to assess any shift in value between the portfolio and the security that's pledged. Does that help?

Mr. Allchurch: — Thank you, Mr. Chair. Well I'm no accountant. So in last year's budget alone, how many dollars went back to the GRF just for last year alone?

Mr. Hilton: — I'm told the answer is \$219,000, Mr. Chair.

Mr. Allchurch: — Thank you, Mr. Chair. How many dollars to date starting from 1995 has gone back to the GRF?

Ms. Jones: — I can only estimate this because I don't have the 10 years worth of history. But if I use an assumption that it's been \$400,000 per year that we have had budget available to us on a budgetary basis, we presently have \$2.02 million worth of allowance established. So that would to me suggest that just under 50 per cent of the annual budgetary allowance has been sent back. Because 400,000, 10 years, is 4 million. We presently have accumulated allowance of 2.02. So roughly 50 per cent every year goes back which is a signal, if I may add, on the quality of the loans and the security that's been pledged. If the value of the pledge was poor, our allowance use would be higher.

Mr. Allchurch: — Thank you, Mr. Chair. In that regards then, when you look at a ballpark of 50 per cent going back most years — we're going to use the average now of most years — why then was there needed to have a \$100,000 increase into that budget when there was no need for it?

Ms. Jones: — As the minister has indicated, as well as the deputy minister has indicated, for the purposes of budgeting the practice has been to use 20 per cent flat rate across the board. In some years, the amount has been higher, our utilization.

We've seen a significant change in the valuation of our loans and securities. So some years we will expense 500,000. Some years we may only expense 180,000. So because the loan portfolio and its security is unpredictable, 20 per cent has been a reasonable amount of money to set aside on an annual basis.

Mr. Allchurch: — Okay. Thank you for the answer. If 50 per cent is going back to the GRF on an average every year, why wouldn't that money be utilized the following year to go back into Northern Affairs to give more money for people in the North to utilize? Why is that not going in there? Why is the people of the North — when they do good things — are being somewhat penalized for the amount of revenue going to the North?

Mr. Hilton: — Mr. Chairman, just to clarify. The amount of money provided to the department for the loan loss provision is not actual dollars that are available for us to spend. It's an accounting mechanism to ensure that we do not incur losses through the loan program that are not properly accounted for. So it's not money that we have to spend.

Mr. Allchurch: — Mr. Chair, if it's just an accounting figure, then why is it put into the budget that those dollars go in? It's part of your budget. If those dollars go in and they're not utilized, it has to come back and it goes back to the GRF. When it goes back to the GRF, why shouldn't that money be turned around the following year and given back to the North?

Mr. Hilton: — Mr. Chair, I'm not an accountant either. But all losses have to be recorded as an expense under the various regulations that we operate under and that is why this is displayed as a budget item as opposed to a non-budgetary item.

Mr. Allchurch: — Well thank you for the answer. I'm no accountant either, but I've ran a business for a lot of years and I know when I do my books and do my projection for the next year, if I put in — and I could probably use the same kind of an item as this — that there's going to be some money coming to

my business that I'm not going to be able to collect in that year . . . I may collect it down the road but if I put it in in my budget and I only collect 50 per cent, I've got a budget of 50 per cent that I'm still eligible to use. It's not just a figure of speech, it's dollars and cents. So again if those dollars are coming back to the GRF — which you've stated they are — it has to be in dollars and cents. It can't just be an imaginary figure. It's part of the budget.

Ms. Jones: — If I may just elaborate again to help clarify. The annual loan loss provision is what we get . . . identified as budgetary because it does become expensed if there's a change that we need to record in our yearly financial schedules. As far as the remaining funds that go back to the General Revenue Fund, they are considered funds that are available to government when they make their budget decision for the year following.

So I mean the money does get redirected. It may not be directed specifically to Northern Affairs's purpose — which we'd like to have. However the way the current practice is with the loan loss provision, it is frozen funding for us. We need to request level D approval to access it because it is designated; it is designated for specific purposes. And I guess it's a form of control mechanism.

Mr. Allchurch: — Well thank you for the answer. I understand what you've just said. All I'm saying is to the people of the North who as the minister has said, wish we would have more, well here's a perfect example of more money that should be allocated . . . or not allocated, utilized for the North, but is being clawed back. Now whether it's being clawed back to use for the Finance minister's advertising budget, who knows. The thing of it is the people of the North are not reaping the benefits of this budget for Northern Affairs when the dollars that go there come back to the government in the GRF.

Hon. Ms. Beatty: — Mr. Chair, to make a comment to the last question, I want to say that I believe that at no other time has this government been more committed to northern Saskatchewan with the amount of money that's going to be spent in 2006-07. And I said earlier that's over \$145 million and this includes business development, creating job opportunities, better roads, better health services, educational facilities, justice programs, and the list goes on. So this government is committed to northern Saskatchewan.

Mr. Allchurch: — Well thank you, Madam Minister, and Mr. Chair. With all the agencies that put money in the North . . . And you've made the figure of 145 million and I understand that. What I'm saying is, as far as the budget for Northern Affairs — which is a slim budget at the outset, and the increase to this budget is very slim at the outset — with the amount of money going in and with the loan loss provisions, there could be more money utilized for the North. And the people of the North are not getting the value for their dollars. Therefore they're not getting the value for Northern Affairs.

I mean we can put the blame on whoever, all the other agencies putting in money. But we're dealing with Northern Affairs right now. We have a chance to utilize the dollars put into this budget for the people of the North. They're not getting value for it.

Why can't that money in a loan loss provision that's not being utilized, that goes back into GRF, why can it not be turned back into Northern Affairs and used in next year's budget?

Hon. Ms. Beatty: — Mr. Chair, with the area of the subvote that the member is talking about, 419,000 has been committed. That's nearly 13 per cent and it is committed and it will be spent in northern Saskatchewan.

Mr. Allchurch: — Thank you, Madam Minister, Mr. Chair. The loan loss provision for the Northern Development Fund was \$500,000. Does the minister believe that the \$500,000 loan loss provision is acceptable?

Hon. Ms. Beatty: — This question, the answer is that we're subject to regulations. And this budget allows us to spend 500,000 more to lend to areas like primary producers, for example.

Mr. Allchurch: — Thank you, Madam Minister. Mr. Chair, what is the department's default allowance for loans?

Ms. Jones: — I may clarify the question through my answer. What you asked was the default allowance, which again is the allowance for doubtful accounts and for . . . What we actually established in the past fiscal year, 2005-06 was 180,000.

Mr. Allchurch: — Thank you. Mr. Chair, \$180,000 is the department's default allowance.

Ms. Jones: — For the fiscal year 2005-06.

Mr. Allchurch: — What percentage of NDF loans are currently in default?

Mr. Hilton: — Mr. Chairman, if I can attempt to answer that question. At present we have . . . In the history of the program, we've written off \$37,300 in loans. We currently have approximately \$1.8 million in loans that we call inactive. And of the 1.8 million, approximately, inactive loans we would anticipate — depending on our collection efforts again — having to write off approximately \$1 million of that 1.8, which would put us at approximately a 7 per cent default rate if the \$1 million in writeoff that I am projecting might be required is required.

Mr. Allchurch: — Well thank you for the answer, Mr. Chair. This is just for last year's budget. Am I correct?

Mr. Hilton: — Mr. Chair, that would be for the total of the program since its inception in '95.

Mr. Allchurch: — Does the department have targeted goals on default of loans from your department?

Mr. Hilton: — I think the short answer, Mr. Chairman, to that question would be no. Obviously we try to collect as much money owed to the government as we possibly can and I think . . . Again I'm not an expert on these things, but I think that the record thus far, I'm led to believe, is fairly competitive and reasonable.

Mr. Allchurch: — Thank you, Mr. Chair. In that regards then,

why not, why doesn't the government have targets and goals set for default of loans from the department?

Ms. Jones: — Actually, if you look at the Northern Affairs performance plan for the 2006-07 fiscal year, you'll see that we try to focus on what we believe are positive measures for the loan program such as job creation, the value of loans, the number of funds that we leverage from other lenders through our activities. So right now our focus has been more positively.

I think any responsible business would want to have a default rate as low as possible. To set a target might be meaningful, but at this point we haven't deemed it as accentuating or focusing on the positive aspects of the program. Okay.

Mr. Allchurch: — Okay. My final question, Mr. Chair, is, what percentage of these loans does the government expect to recover and why is the recovery rate so low?

Mr. Hilton: — If I can, Mr. Chair, I think as I indicated a few moments ago, the deputy minister is actually pleasantly surprised and impressed with the recovery rate.

If we can keep the rate of loss in the 6 to 8 per cent range, I think that that would represent solid performance in terms of the NDF loan fund particularly, as I've indicated before. Because it's a developmental fund, we take on some risks that commercial lenders might not take and would not take on. So overall I'm reasonably pleased with the performance of the program at least from that point of view.

Mr. Allchurch: — Thank you, Mr. Chair. Just a remark to that. Well the department may think it's reasonable to have that kind of a default figure as being reasonable. I think the province of Saskatchewan, the people, the taxpayers of the province of Saskatchewan would disagree that that's not a . . . [inaudible] . . . amount. And there needs to be ways and changes made so that there is a higher recovery of money coming back.

The Chair: — That concludes the questioning for today's session. It now being near 1 o'clock, the committee now stands adjourned.

Hon. Ms. Beatty: — I would just like to take the opportunity to . . . It kind of surprised me it came to a sudden end here, but I just want to take the opportunity to thank the officials. Some came from northern Saskatchewan to answer some of the questions that we had here this afternoon. So I'd like just to thank them.

The Chair: — Mr. Allchurch.

Mr. Allchurch: — I want to take this opportunity as a critic to thank the minister and the officials for coming from the North and answering the questions I asked of them. Thank you very much.

The Chair: — We're now adjourned.

[The committee adjourned at 13:00.]