



# **Standing Committee on Public Accounts**

## **Hansard Verbatim Report**

**No. 39 – November 23, 1998**



**Legislative Assembly of Saskatchewan**

**Twenty-third Legislature**

**STANDING COMMITTEE ON PUBLIC ACCOUNTS  
1998**

June Draude, Chair  
Kelvington-Wadena

Ned Shillington, Vice-Chair  
Regina Northeast

Rod Gantefoer  
Melfort-Tisdale

Jack Goohsen  
Cypress Hills

Jack Hillson  
North Battleford

Walter Jess  
Redberry Lake

Mark Koenker  
Saskatoon Sutherland

Violet Stanger  
Lloydminster

Andrew Thomson  
Regina South

Grant Whitmore  
Saskatoon Northwest

**Public Hearing: Department of Agriculture and Food**

**The Chair:** — We have the agenda in front of us and I should at least be nice enough to welcome everybody. Good morning everyone. Monday morning, bright and early. Everybody is ready to go to work no doubt on this nice day.

The agenda was sent out, the revised agenda was sent out. I trust you have all had an opportunity to look at it. Does anybody have any comments on it? If not, I have a motion here if somebody would like to adopt it:

The draft agenda of the Standing Committee of the Public Accounts for meetings to be held Monday November 23, to Thursday November 26, 1998, be adopted.

Would someone like to move and second?

**Mr. Shillington:** — I'll move the agenda be adopted as circulated.

**The Chair:** — Okay. And seconded? Don't need it? Okay. Is that agreed? Okay, then that's carried. Then we'll get our Department of Agriculture officials in.

Good morning and welcome. I'll ask the deputy minister to introduce the officials he's brought with him this morning.

**Mr. Scott:** — All right, thank you very much, Madam Chairperson. I'm Terry Scott, deputy minister with Saskatchewan Agriculture and Food. And to my immediate right, I have Jack Zepp, who is the director of our administrative services branch, and to Jack's right is Ken Petruic, also with administrative services branch. To my left is Laurier Donais, senior manager with admin services branch; and behind me to my left and behind is Roy White with the industry development branch, and also Greg Haase, the director of the lands branch with our department, all with Agriculture and Food.

**The Chair:** — Good morning, gentlemen, and welcome. I'll ask the Provincial Auditor to introduce the officials he has with him this morning.

**Mr. Strelieff:** — Thank you. Good morning, members and guests. With me to my immediate left is Corrine Rybchuk, who is going to lead our discussion on agriculture, as well as Fred Wendel, Bill Harasymchuk, and Andrew Martens and Bob Black, as well as John Kudas who is a new chartered accountant student from our office, a University of Saskatchewan grad.

**The Chair:** — Welcome. Before we continue on I'm going to ask the Provincial Auditor to do an overview but I'll read the statement for the witnesses that are appearing before the committee this morning.

Witnesses should be aware that when appearing before a legislative committee your testimony is entitled to have the protection of parliamentary privilege. The evidence you provide to this committee cannot be used against you as the subject of a civil action.

In addition, I wish to advise you that you are protected by section 13 of the Canadian Charter of Rights and Freedoms which provides that:

A witness who testifies in any proceedings has the right not to have any incriminating evidence so given used to incriminate that witness in any other proceedings, except in a prosecution for perjury or for the giving of contradictory evidence.

A witness must answer all the questions put forward by the committee and where a member of the committee requests written information of your department, I ask that 15 copies of the information be submitted to the clerk who will table the document. And please address all your comments through the Chair.

So we'll ask the Provincial Auditor to review the recommendations that he has given us.

**Mr. Strelieff:** — Thank you, Madam Chair, members. My colleague, Corrine Rybchuk, has just handed you out an update on all our recommendations. As you can see that there have been many that have been dealt with. Now Corrine is going to provide you an overview of our report. Corrine.

**Ms. Rybchuk:** — Good morning, Madam Chairperson, members, and officials. I'm here today to present two chapters on the Department of Agriculture and Food: chapter 14 of our *1997 Fall Report Volume 2*; and chapter 12 of our *1998 Spring Report*. These chapters contain recommendations for the Department of Agriculture as well as funds administered by the department, for example the Agri-Food Innovation Fund, the Saskatchewan Agriculture and Food Products Development and Marketing Council, and agencies it administers such as SPI Marketing Group and the Saskatchewan Canola Development Commission and the Prairie Agricultural Machinery Institute.

Since there are so many recommendations in the two chapters, I'm not going to go through them in detail at this time. After my opening comments I will distribute a summary of these recommendations which was already done, and an update on the progress being made to comply with these recommendations.

The recommendations that are not yet fully complied with cover the following main topics. Under the department there are three points: estimating bad debts; financial reporting; and accounting policy and procedures manuals.

For the SPI Marketing Group, documenting governance policies. For the Prairie Agricultural Machinery Institute, the contingency plan. For the Agri-Food Council, supervision of organizations. And for the Saskatchewan Canola Development Commission, authority for creating subsidiaries and service agreements with consultants.

When you look through the update that was handed out, you can find these points. They're noted with, under the update column, progress towards compliance. Those are the points that continue.

This concludes my opening comments. Thank you.

**Mr. Strelloff:** — Thank you very much, Corrine. Madam Chair.

**The Chair:** — Thank you. I failed to thank the Provincial Auditor again for the binder that we received, and this really excellent update that we received as well. We appreciate that very much.

So I'll ask the deputy minister if he has anything he'd like to bring to the committee's attention.

**Mr. Scott:** — Thank you, Madam Chairperson. What I would offer to do is just a few comments about the Department of Agriculture and Food generally if the committee would wish for me to take two or three minutes and just give a bit of an overview of the department, what we're about. And certainly I would make a few general comments on some of the issues that we've been dealing with the Provincial Auditor's office on.

I would assume we'll be going through them in detail one by one, so I won't comment on all the individual items at this time.

The mandate of Saskatchewan Agriculture and Food is to add value to agriculture by fostering a commercially viable, self-sufficient, and sustainable agriculture and food industry. And we obviously work in close partnership with industry on all of the programs that we deliver to the industry. And we focus on the needs of individual farms. We encourage and develop higher-value production and processing in the agriculture industry through our programs. And we look at promoting institutional changes in the industry that will be consistent with meeting the opportunities that are there for the industry to achieve.

We have a number of goals that we have established for Agriculture and Food in order to move us in the direction of fulfilling that mandate. And I'll just run through those goals very, very quickly for you because they kind of describe the programs and services that we offer as a department. Those programs and services are directed at meeting about a dozen goals that we have laid out for ourselves.

Generation of technology is one of the goals that we as a department concern ourselves with to a great extent. New technology for new products; increased output; reducing production costs; and also producing in a way that's sustainable in the future and uses our resources in a manner that's responsible.

Second goal we focus on is easy and timely access to information. The Agriculture and Food department has for a long time had a fair amount of effort targeted towards getting the information into the industry's hands that we think will enable the industry to make money, to be profitable, and to do that in a way that in a way that meets sustainable economic activity objectives as well.

We have also goals related to unique and innovative financing, where we attempt to meet particular capital needs in the industry — whether it's for livestock or whether it's for agri-food activities.

Enhancing productivity and sustainability of agriculture resources is another area that we have as a goal for the department. And we have about 8 or 9 million acres of Crown land that we administer; and with that Crown land we attempt to create business opportunities that also allow us to meet some of the sustainability objectives associated with land, water, and those kinds of resources.

A fifth objective is to create a regulatory environment that enables growth in the agriculture and food industry. And that relates to a number of areas, including high quality products, food safety, environmental protection of course, and market access. Market access of course being an extremely important one for us as a department, given our export orientation in the agriculture industry in Saskatchewan.

Effective management of business risks, another key goal for us. And as we work through the *Public Accounts* of course, people will see that we spend a fair amount of our resources as a department dealing with programs like crop insurance, net income stabilization program and other ways to manage business risk in the industry.

Identifying new business opportunities — seventh goal that we have for the department with respect to the agri-food industry. And we work through programs like the agri-food equity fund. We also work with programs where we provide one-on-one work with industry groups — whether it's a group with an interest in looking at bison industry development or herbs and spices, all kinds of different specialization . . . or speciality products that we're finding emerging in the industry that we face today.

Eighth goal, we work toward provincial, national, and international policies that promote growth and diversity and allow us to add value to the industry that we serve. And so for example, areas like transportation policy federally, areas like World Trade Organization negotiations. We have resources that are targeted towards those kinds of . . . meeting that particular goal.

And then some internal goals that we have for Saskatchewan Agriculture and Food, certainly some of which relate directly to the Public Accounts Committee's work: responsible and accountable organization, but specifically responsible financial management and administration based upon strategic priority setting for the organization.

So that's a bit of a thumbnail sketch of some of the things that we believe are important goals for our organization to pursue on behalf of the industry that we serve as a department.

Now in terms of some of the issues, the more specific issues that we're dealing with today, just a couple of comments on them, without getting into any one particular item, but you will find I think when we go through some of these, that they fit into certain categories of concerns.

And one of them relates to having appropriate policy and procedures manuals for all of the organizations that we as an organization concern ourselves with. And subsequent to our last meeting we have embarked upon a comprehensive approach in the department to ensure that we have policies and procedures

manuals that are all completely up to date and which meet the requirements that the Provincial Auditor's office has identified.

So I think we've made some good progress in that area. We have enhanced our resources in this area to ensure that we continue to work collaboratively with the auditor's office, to ensure that we have the strongest possible system of accountability in reporting that we can have.

The other general issue that has already been touched on here this morning of course — we have a large number of agencies that we are responsible for that relate to The Agri-Food Act and are established under The Agri-Food Act and supervised by the Agri-Food Council, which is a body appointed by provincial cabinet.

And we have also embarked upon a major initiative here subsequent to our last meeting where the Provincial Auditor's office and our department was directed by your committee to come up with some joint recommendations that could improve the accountability in reporting arrangements right from the provincial . . . whether they're provincial marketing boards or check-off agencies, or other types of bodies that are established under The Agri-Food Act through to the Agri-Food Council and right through to the Legislative Assembly.

So that work is going on and I would certainly be happy to get into more of the details of that work as we move through the individual items.

So with those comments I would just like to conclude my general remarks by expressing appreciation for what I think is a good relationship between the Provincial Auditor's office and our department in the last while, getting some of these activities going. And we look forward to continuing the progress that we've already made.

Thank you, Madam Chair.

**The Chair:** — Thank you very much. I have a speaking order right now with Rod starting.

**Mr. Gantefer:** — Thank you, Madam Chair. Good morning, Mr. Scott, and officials. Welcome to our committee.

I understand our agenda leaves us the morning to visit with your department, so if I could, I would like to begin with a topic that a number of us were talking about before the committee convened this morning, and that's the current situation in agriculture that this province is facing. And I'd like to ask you if you could give an overview, particularly in the grain sector, of how you see the current climate and the short- and medium-term future for that industry in this province.

**Mr. Scott:** — Okay. The grain sector specifically, what we find in that sector is that some of the major commodities that we produce in Saskatchewan, prices have declined quite dramatically in the last year approximately. So we find expected prices for the '98 crop, for spring wheat for example, expected to be down over 20 per cent from the five-year average price. Durum wheat sort of in the same range; prices down 20 to 30 per cent. Also barley prices are down in that general vicinity of decrease as well.

Some of the other crops that we produce, like canola, has weakened somewhat but has held fairly strong relative to what's happening in the wheat market. Flax is also holding fairly strong.

So it's a bit of a mixed bag. But of course when you consider that still a good portion of what we grow in the crop sector in Saskatchewan is wheat and barley, the decline in those prices has created a fairly significant cash shortage for many in the industry.

Now in terms of where this goes from here, if you look forward it is . . . most of the forecasters are suggesting that if we get a return to a more normal world production in the grain sector with the '99 crop, we'll have some price strengthening. Now that price strengthening will take some time, if indeed it occurs, to reflect itself in terms of farm income strengthening as well. And hence the projections for 1999 farm income that were released two or three weeks ago by Agriculture and agri-food Canada and the provinces shows a fairly weak realized net farm income for 1999.

Now one of the real wild cards in this whole thing I believe is that the turnaround or the improvement in the markets will be to a large degree determined by what happens with respect to European Union subsidies and United States subsidies. If we begin down the path in those two major producing blocks of the world to subsidize agriculture to a much larger extent than we've seen in recent years, then without doubt that will tend to prolong any kind of a downturn which we find ourselves in. So I think one of the keys to success in the next while will be for all countries to do everything possible not to see ourselves slip into that kind of a mentality.

Now Canada of course is in the position where, if the United States moves into that mode of increasing the levels of subsidies, which they have — recent events seem to suggest that they're moving down that path and the Europeans certainly are moving down that path — then of course Canada will obviously be in a situation where it will need to ask the question, are we going to remain pure while others are subsidizing the markets and depressing the prices for all of us?

If that happens, it puts Canadian producers in the position of seeing their U.S. (United States) counterparts and the European farmers achieving the subsidies and remaining competitive where Canadian farmers cannot. And that of course will no doubt manifest itself in continued pressure on the federal government to respond.

So it's a bit of a balancing walk that we're in with this. Because I think everyone knows that massive subsidies around the world are a negative thing, but if everybody else is doing it, what's your response going to be? You can't really afford to sit by and not support your industry as the federal government in Canada when others are doing it around the world.

**Mr. Gantefer:** — Thank you. In your comments, when you indicated that basically the coarse grain sector has dropped something in the magnitude of 20 per cent, did I detect that you feel that that drop has been a result of increased production and then the subsidies have followed it in an attempt to move the production, or has the drop been as a result of the subsidy

competition?

**Mr. Scott:** — The drop is a function of both of those things. What I observe having occurred is both have tended to move at the same time. I think the Europeans, when they start to see a bit of price weakening, they tend to respond with a subsidy response. The United States have done the same thing.

So it's hard to separate the two but, you know, I don't think there's any doubt that the intervention with subsidies is something that's going to take those markets lower and much lower than they otherwise would have gone and that certainly, if the United States and Europeans remain in that subsidy game and don't pull back on the subsidies, it will prolong the period that we're going to face the much lower prices.

**Mr. Gantefer:** — From what I see in the media or in any publications that I've seen, it doesn't seem to be any signals coming from either of those two giants, the European Common Market and the United States, that would indicate that they are pulling back from this subsidy situation. In fact if anything they're going in the other direction from what I understand.

Would it be your observation then, from the information you would have much more access to, that indeed we may be facing increased subsidy levels rather than the opposite occurring?

**Mr. Scott:** — To the most recent history that we have, the last couple of months seems to indicate that subsidies are being enhanced. Certainly in the United States, with the run-up to the federal elections, that has been the case and hence the approximately \$6 million package that was announced for American farmers.

And when you look at the comparison of subsidies around the major producing countries of the world, of course you will also discover that even before that was occurring the organization for economic and co-operative development was displaying numbers that showed the United States and Europeans with already much higher subsidies — or what they call producer subsidy equivalents — than what we experience in Canada in the crop sector.

**Mr. Gantefer:** — There have been reports of some levels I believe on the diplomatic front that Canada, Australia, Argentina — some of the coarse grain producing nations other than the United States and the Common Market — were attempting to have some initiatives happen on the diplomatic front or, you know, the discussion front about reversing that trend.

Is there any likelihood, number one, that that's going to bear any success, and number two, if it does, it would seem to me it's going to be a very long-term type of movement. Is there anything that you see at all from your department's perspective that may be more short-term?

**Mr. Scott:** — The process of getting major governments around the globe to change their policies can be a very slow one. You know, when you think about all of the years of effort that went into the last round of GATT (General Agreement on Tariffs and Trade), what's now known as the WTO (World Trade Organization) negotiations, there was progress made —

no question about that.

But in terms of getting the United States export subsidies under control to the extent that in Canada we would like to see them, or the process of getting the European Union subsidies under control to the extent that we would like to see them, it was a very arduous one. It was what we might call limited progress and it took a very long time to get it. It's not easy to change the policies of those countries when a lot of what they do and a lot of the reason for the policies that they come out with are driven by domestic considerations.

And one thing that we have to I think keep in mind, which tends to explain why it is difficult to affect those policies, is that a lot of their production in the crop sector in Europe and a lot of their production in the United States in the crop sector is consumed domestically. So a policy of more subsidization or more assistance to those industries tends to make more sense for them because more of it can be captured within their own country by their own domestic marketing chains for those commodities as well as their domestic consumers.

In Canada of course in the crop sector we export the vast majority of what we grow, and that's particularly true in Saskatchewan. And so for us, when we make decisions about assistance to the industry, we have to consider where that product is going. And it being exported of course, less of the benefit of that assistance is actually captured within our own domestic country.

Yet if we don't provide the assistance — and the Europeans are and the Americans are — then our producers are clearly at a distinct disadvantage. And we need to, I suppose, make the decision whether we want to see an industry that continues to produce and compete with those countries.

**Mr. Gantefer:** — When you indicated that the drop in price in the coarse grain is something in the magnitude of 20 per cent, I suspect that that would have a much more dramatic effect on net farm income because of the fact that input costs continue to increase. And I've seen reports that net farm income is expected to be down something in the magnitude of 70 per cent. Is that correct? Or what has the impact of these decreases, in the coarse grain prices primarily, likely to have on net farm income or realized farm income?

**Mr. Scott:** — For 1998, realized net farm income, which is the net income that's left after all of your operating costs and your depreciation costs are considered, will be about 70 per cent below what it was last year. For 1999, that same measure of income we expect to be probably below zero based on the current forecast that agricultural . . . (inaudible) . . . come out.

**Mr. Gantefer:** — So for the current year the income calculation takes in such overhead costs as depreciation. Does it take in family sustenance or, you know, personal, you know, the families' needs or wages, or however you define it? Is that included in the net farm income or realized farm income?

**Mr. Scott:** — Essentially the if I can call it the disposable income for the farm family to live on has to come out of that realized net farm income number.

Now I mentioned the realized net farm income has depreciation already taken out of it. Now of course what happens when you get into a cash crunch is that people tend to delay replacing their machinery and so on so that they can use some of those monies to live on in effect.

The other thing I should mention is that there is a considerable amount of off-farm income that goes towards family living as well. And it has to be, I suppose, factored into the mix in terms of the severity of the situation.

But there's no question that we are facing realized net farm income prospects here of . . . that we have not seen in many, many years if the market forecasts come to fruition. These are always volatile predictions, as you will know if you have followed agriculture markets.

**Mr. Gantefer:** — Yes, I appreciate the fact that depreciation is a book figure. But by and large it offsets either an allocation for replenishment of equipment, or indeed, represents a fair significant portion of principle payments that might be the part of a mortgage on land or on equipment or things of that nature. So that in many instances, while in theory it's a book figure that amounts to cash, in most instances that's an illusion especially in the long term and quite often in the short term — you're right.

If we get into 1999 where that figure is actually going to be a negative, there is no way that farm families have any choice in terms of . . . in general, they either have to dip into reserves, savings, off-farm income, or whatever other strategic decisions that they potentially have at their disposal to make. One of the comments that I have heard is that perhaps they should be dipping into their NISA (Net Income Stabilization Accounts) accounts. Can you indicate to me an evaluation of where the NISA accounts are at? And what I'm getting at is a bit of an overview of how large they are? Who's holding them? Are they distributed, you know, somewhat equitably or — not equitably — you know, evenly or average across the sector?

**Mr. Scott:** — There are, as we speak, about \$1 billion of the monies on account for Saskatchewan producers in the NISA program. In addition to that billion there, of course, are the contributions that are being made this year which would come to about another .2 billion. So we've been talking about a number of \$1.2 billion of funds available to producers through NISA.

Now in terms of an overview of how that money is distributed and whether it's got fairly good coverage across the piece, we can look at that in a number of ways. If you take the sales class of the producer or the size of the farm — if you want to think of it that way — you'll go from the very small to the small, the medium size, and on to the larger sales categories for sizes of farms.

You'll find that at the very small size of farm there's a tendency to have a little more in your NISA account relative to your, to your sales, and a little more at the very large size of farm relative to your sales, but not, not significantly more I would say. But there is some tendency to see a bit of a lumpiness at both ends of the spectrum.

But other than that right through the piece, as far as sales categories are concerned, the funds tend to be held fairly uniformly, regardless of what size of farm you are. Now that doesn't mean there are gaps however. Because one of the things that's true is that not all commodities were put into the NISA program at the same time. The livestock commodities, for example, did not come into the NISA program until, I believe, 1994. The program was put in place in 1991.

So crop producers who've been in it since 1991 have had more time to build their accounts; livestock producers have had less time to build their accounts. And what we find when we look at the numbers is that livestock producers have about half of the average size account as the crop producers do. So it would be true that that particular program does not provide the same cushion for the livestock producers generally as for the crop producers.

Another area of concern with that particular program is for people who've come into the industry in recent times, relatively new producers who haven't had the time to build their accounts, also producers who've perhaps expanded — doubled or tripled their size in the last three, five years. Their contributions would not have had time to catch up to the size of their operation to the point where their NISA account would provide the cushion that they would need. So there's also that, what I'll call a gap in the program. There are other experiences out there I think that have caused some producers' accounts to pretty much empty out. If for example you've had two or three years of drought on your farm you may find yourself in a position where you have drawn your account down in order to sustain your business through that period and now find a pretty much empty account. So again you're without the cushion to deal with the situation.

One of the general things I think about the NISA program, and a good portion of the industry when we talk to representatives of it, they like the concept of the NISA program. You build your account, and governments provides some matching, and over time you have a cushion there to deal with the ups and downs of the industry. I think one of the things that concerns people a lot though is that they know it has taken quite a number of years to build up those accounts. And they know also that those accounts were built in some pretty good years in terms of farm incomes.

And now they're looking at a situation where they see their realized net farm income dipping to a level that they're going to effectively use up their entire NISA account in one or maybe two years in some cases. And it will be gone, and they've got to start all over again to build that account. And knowing that it took seven or eight years to get it to where it is today, use it all up in one or two short years to start all over again, is there going to be the dollars there quick enough?

If for example this downturn lasts longer than one year, are they going to have their dollars there quick enough by rebuilding it so that is going to be meaningful to them? So that's another kind of general concern that I think I hear anyway in terms of the NISA program in its ability to deal with this kind of situation that we're in.

It really is a program when it was put in place it was meant very clearly to be a program to stabilize the income but it was not

ever meant as a disaster program. It was meant to deal with the kind of normal fluctuations that you get in the markets. And what we're seeing I think today with the net income forecasts the way they are I don't think people see that as normal sort of ups and downs. And they don't see it as a program that should have to be the response to European export subsidies or United States export subsidies and those kinds of things.

Does that give you . . .

**Mr. Gantefer:** — Thank you very much, Mr. Scott, in fact your final comments were exactly where my next questions were going in terms of the purpose of NISA.

As I understand it, and it's been a while since I was an active farmer, is that the NISA combined with crop insurance were the kinds of tools that were designed to take out the normal changes in agriculture — weather related crop failures, things of that nature.

And I agree that it was not intended that these programs would compensate or be able to support farmers in the event of a thing like a subsidy war.

One of the comments I hear a great deal from farmers is the fact that they're very frustrated and disappointed with the effectiveness of the crop insurance program. If we can follow in that direction, can you give us an overview of where that's at looking at participation rates?

In visiting some of my farm constituents this year, I was surprised at the number of people who expressed great disappointment in the way it's working and the decision that they were not going to participate in it next year. And I wondered what trend you see in crop insurance participation and what comments your department is getting back from farmers in terms of its effectiveness and value to farmers.

**Mr. Scott:** — All right, the crop insurance level of participation. We found three or four years ago that we were on a skid in terms of participation in that program, which created a fair amount of concern for us because obviously one of the largest risks we face in Saskatchewan agriculture, in terms of running a business in that industry, is drought and other natural causes of loss. A drought probably being one of the key ones.

So what we did with the crop insurance program, we knew we had a problem with the level of debt in the program and of course that debt, a lot of that debt was carried over from loss years in the 1980s when we had a fairly large number of droughts. And that debt has to be of course built into the premium structure and recovered over time. And so what it meant is the premiums that we charged producers had to be higher in order to recover that debt.

So one thing we did was to pay down the provincial portion of the debt. We effectively as a department eliminated the provincial share of what we call the reinsurance debt in the crop insurance program. The federal government also paid down a good percentage of theirs. So that meant that with less debt in the program, the premiums to the producers could fall. We no longer had to keep the same level of, what we call, load in those premiums to pay off that old debt.

Other thing we did was to change the cost sharing for the crop insurance program. And we implemented what we call a base coverage wherefore, if you want coverage equal to 50 per cent of your average yield, you can come in and buy that level of coverage for a cost-sharing ratio, producer-to-government, of 20 per cent of the cost to the producer, 80 per cent to government.

And we also subsequently moved to an improved cost sharing on higher coverage loans as well, where producers can pay 40 per cent of what we call buy-up coverage, governments pay 60 per cent of buy-up coverage.

So as a result of those kinds of changes, what occurred was, over a two-year period, about a 33 per cent reduction in the premiums that producers pay. And as a result of that, at least partially as a result of that, we've seen the participation in the program rise by . . . it was about 57 per cent in 1996 of the seeded acres that were insured in crop insurance. And we've seen that rise to about 63 or 64 per cent, in that ballpark, this year. So our participation has actually been increasing or seeing more acres insured in the crop insurance program than we had in the past.

There's still some concerns there's no doubt. I've never seen a safety-net program yet that meets all the needs. And one of the things that we're currently working on is finding a way to better have the crop insurance program coverage — excuse me — the coverage levels reflect modern technology farming, and we're, I think, making some progress in that area. But if one asks the question, what's the one thing that you hear most often that producers would like to see improved in that program, it's getting the coverage levels up to reflect modern technology farming. And that's a challenge. It's not an easy thing to do. We've introduced individual coverage and that helps. But when you're bringing in a new crop and you have to earn your coverage over time, sometime producers think that's too slow. They want to get the higher level of coverage sooner.

So those are some of things. Participation is on the upswing actually in the program.

**Mr. Gantefer:** — So if we look at the NISA and crop insurance plan, and from your comments I take it that these are the mainstays, if you like, of balancing the changes in agriculture income by circumstances related to weather and natural commodity swings even to some extent.

That doesn't apply to the subsidy situation we're in right now. Can you tell me what the department is doing in terms of initiatives with the federal government or things of that nature to address the reality of a 70 per cent drop of income for this year and the projected negative net realized farm income for 1999, to address that situation that seems to be clearly a result of the subsidy war.

**Mr. Scott:** — The agriculture and Agri-Food Canada officials are looking at the possibility, and I say the possibility — decisions are of course not made yet in terms of what a response will be from the federal government — but they're looking at a model that would involve a disaster component in the safety-net framework, if I can call it that. And the particular model that they are examining and that has actually been under



some discussion with national farm leaders for some time, is similar to a program that exists in Alberta. In Alberta they call it the farm income disaster program.

And essentially what that program does, is you can achieve a payment from this program if your income — and I'll call it net income but it's not the same as the other net income I was talking about, realized net farm income but I'll call it net income, it's kind of a margin concept — if your margin drops below a certain percentage of your base average, whether it's a five-year base or the best three out of five, or whatever, or the average three out of five. Then you trigger a payment out of this program.

So it doesn't kick in if your loss is relatively small. If your loss is, say, 80 per cent of your five-year average, then there would be no payment under this program. But if you drop substantially to the extent that say you drop below 70 per cent or 60 per cent if that's the threshold, then you would trigger a payment out of this program.

That's the particular model that is being looked at and discussed with the national farm leaders.

**Mr. Gantefer:** — Is that model again . . . earlier on in our discussion you indicated that some of these programs take a great deal of time to put into place. Farmers in my area that I speak of are concerned about this year, and in my neck of the woods there's a fair bit of oilseeds so it's helped them out to some extent. But they're very, very concerned about this spring and the input costs and the next crop year, which by your comments are indicated to be a negative income from them.

Is this plan likely to be in place so that it provides support or relief to farmers for the next crop season?

**Mr. Scott:** — This program could be in place. It's not the only model that could be in place, however. The question of whether it's in place or not I think has to do with first of all the decision of the federal government that a response is required or necessary at this time, or desirable.

If that decision were made, this particular model could in fact be in place to put cash into the hands of farmers in the spring. It would be delivered, ideally, and I think this would be the intent of the federal government if they went with this model, it would be delivered through the NISA administration. They essentially have all of the data and the information in the system to collect what is needed to run this program as well as the NISA program.

So tying it on to the NISA administration would be probably the quickest way to get that kind of a program to deliver cash.

**Mr. Gantefer:** — Does this program, the concept of this program and the idea of this program as being discussed by the federal Department of Agriculture, does it have the support of the provincial Department of Agriculture? Do you feel that this is a viable and a fair way to deliver the type of relief that's needed in this type of subsidy war?

**Mr. Scott:** — We are still looking at some options around it. When I say that's the one that the federal government is looking

at most closely, that's not the only one that they're looking at. And we have not at this point indicated that that would be the best design of a program.

What we have said is that the need is there. There needs to be some program that puts cash into the industry. And we've said that it needs to be cash in the hands of farmers prior to spring, so the crop producers when they go to make their arrangements with their bankers for seeding the 1999 crop, they know what kind of cash they have available to them. But we have not expressed at this point a preference for a particular design of the program. And of course neither has the federal government. They're still looking at whether that is the best design.

That particular design, I would say, meets with the favour of some parts of the country but not necessarily all. And I think people want to know what that program will do and where it will pay out in the current circumstance, and the analysis of that is still being done. We hope to know more about its impact and where it will pay out and when very shortly.

**Mr. Gantefer:** — I think that producers, you know, while they're very interested and have a great many opinions as to how a program may work and what the details of the program may be — I think that's important — but I think more importantly right now what they're looking for is a signal and a sense of that there is going to be something done. And that there is going to be, you know, an active discussion in terms of the details of a program. And if it would fall into this type of program as you described or a straight acreage program or what other type of options there may be is a second level of interest for them.

The primary level of interest: is there going to be a commitment to have some support in as equitable a way as possible that can be trashed out so that they can, you know, sort of go to sleep at night right now worrying about what their future is going to be into the next crop year which is very, very worrying for them.

And I think it's important that we do everything we can to signal our support for this type of commitment, particularly by the federal government, because this is a war that you indicated, and I agree, is between the European Common Market and the American treasury. It's a war that's very difficult for us in this small province exporting most of the product that's involved in this war, to effectively fight with.

And I certainly think that even as an ordinary committee as the Committee on Public Accounts can have a role in terms of encouraging that something be done to send that signal. And I certainly would like to propose somewhere later today that I would like to move that this committee urges the Premier of Saskatchewan to travel to Ottawa to meet with the Prime Minister with the sole intent of obtaining immediate emergency financial assistance for Saskatchewan farmers who are the victims of the current international grain subsidy war.

I think those kinds of signals are very important and the kind of things that our farm producers are looking for in a general sense rather than a specific sense.

So I would like to leave my section on this overall great concern of people and let some of my colleagues ask questions

on this. I have some other questions in regard to some other aspects of the ag industry. Thank you, Madam Chair.

**Mr. Goohsen:** — Thank you, Madam Chair. Well we're into this subject matter so I think we should probably just continue along the same lines, Mr. Scott.

I particularly wanted to talk a little bit about the Alberta plan because what I see is a problem here — and you can correct me if I'm wrong — is that once again we've come up with a program that very much like the GRIP (gross revenue insurance program) program was criticized because it distorted the needs of production by society. And the GRIP program as you will recall was criticized because of course it provided the price guarantee without reflecting the international needs for certain grains. Supply and demand was not, as your government of the day argues or did argue when they were in opposition, they argued that the problem with the GRIP program and the reason that they put it out of existence was the fact that it did not follow the market forces. And therefore farmers would grow crops that were not necessarily in demand in world markets. For example in Saskatchewan people would grow spring wheat because it had a good subsidy and it's the cheapest to grow, and easiest to grow in Saskatchewan, and so they would stick to that.

I want to know from you, sir, do you not see the same exact problem happening with the Alberta plan for farmers who simply grow the cheapest and the easiest crop to grow and not grow the other crops; and that they won't be determining their planting intentions according to the international market forces that should be governed by supply and demand, what is required in the world markets?

**Mr. Scott:** — Thank you. There's one significant difference I think between the Alberta program and the GRIP program. And I don't want to be seen to be defending the Alberta model. I mean it has some shortfalls. But if you look at the original GRIP program essentially what that program provided was a guaranteed revenue on a crop by crop basis. So it was very commodity specific — certainly a program that could have been subject to a countervail duty from the United States.

The significant difference in a program like the Alberta one, or like the net income stabilization program for example, is that those programs are what we call whole farm. They're based on income. They're not based on the revenue from any particular commodity that is produced. So they should have less influence or provide less distortion in terms of causing producers to produce one thing versus the other than the GRIP program did.

Madam Chairperson, I have to correct myself on a number that I gave the committee. I may have said on the buyout portion of crop insurance I believe I said that we moved it from . . . to a 60 per cent government to 40 per cent producers. In fact that wasn't quite right. What we did was we moved from 60 per cent producer, 40 per cent government to 50/50 on a buyout, so we improved it. But I got the ratios confused in my mind on that so I did want to correct that. Sorry.

**Mr. Goohsen:** — Now, Mr. Scott, that's very interesting about crop insurance but all that does is guarantee production. It doesn't guarantee any money in anybody's pocket. I want to get

back to the Alberta program just for a little bit more. Because in fact I am a farmer, and I have looked at the Alberta program and I absolutely guarantee you that on my farm if we had the Alberta program I will grow all spring wheat. Because I really don't care anymore if I make any dollars at all out of that wheat. All I care about is the what is the easiest, the cheapest, the fastest, the least amount of work for me as a farmer. I'll go fishing all summer, plant the whole farm to spring wheat, and wait for the government to make up my guaranteed personal farm income — which is what becomes a guaranteed income. Do you not see that as a problem?

**Mr. Scott:** — I'm not sure I understand why a program that stabilizes your income for the farm overall would cause you to produce one commodity versus another, or less of one and more of the other. I would agree that if the level of subsidy was so high — and we hear this about some of the subsidies in the United States and in Europe — those subsidies are so high that it just makes people less sensitive to having to earn from the marketplace, then it can cause you not to change when you should change. But if a program is put in place as a program that deals with disaster situations and is based on the whole farm's income, then I would be surprised if producers would make their decisions about what to produce based on the level of assistance coming from such a program.

**Mr. Goohsen:** — I don't want to argue with you because I don't think that's our reason for being here. I want to carry this a little further, not in the spirit or argument but in the spirit of learning because obviously there is going to be a plan that's going to come out. And if we bring out a plan that in effect doesn't work or causes bigger problems than the ones we have, then we're all going to be in trouble in this province because agriculture is so important to the provincial, of course, coffers. And the money that the province takes in from the spinoff effects of agriculture is still more significant than even the oil and gas industry would be. So I want to carry this a bit further.

You say you don't understand why people would take the easy way out. Well, then you're explaining of course the reason why you need to talk to more farmers about the way they feel and the way that they think. Maybe you've been away from the farm a bit too long.

Why would I as a farmer — in that context — why would I grow canola, for example, to get eight and half dollars a bushel, which would of course bring my net income up considerably higher than if I were growing spring wheat at two and a half dollars a bushel, when I can plant all spring wheat and get the same net income as if I went to the trouble of growing canola? Taking into consideration that if I grow canola it's harder on my land, it's harder to control the weeds, it's more expensive, it's more labour intensive, it requires an awful lot more work on my part, an awful lot more management on my part, and an awful lot more expense to my farm in general through the long term as a result of the effects on the soil because of the weed infestations and those kinds of things. And of course the herbicides, and the insecticides, and all the rest of those things that are adverse to my personal health, having to use them growing that particular crop that will net me more money.

Would I not automatically . . . For example, suppose my income is \$100,000 over this period of time that you say we're going to

average it out at. Why would I go to the trouble of growing canola to produce \$99,000 and get \$1,000 from the government, when I can grow spring wheat that is easy on my land, takes me half the amount of work, half the amount of the expenses, and if I make \$50,000 out of that wheat, the government gives me the \$50,000, and I still got 100,000? Why would I grow canola? Why would I not then grow spring wheat?

Do you see the point I'm making is that this program is just as flawed as the GRIP program.

But the Alberta farmers — and I want to make this point for your minister — the Alberta government has never ever worried about those kind of things. All they've ever worried about is finding some cost-effective way to get money into the hands of their farmers so that they could use that money to continue to develop and grow and diversify their own personal incomes.

And that is the direction we should be looking at, is how we get money into the hands of farmers so that they will diversify their own incomes and grow those things that are market sensitive or required by some consumer. Just as fundamental as that. Growing something that is required by a consumer.

Now don't you think that we've got here the same dilemma developing that we had when we had the GRIP program?

**Mr. Scott:** — Well if I were producing under this kind of a program, I would want to do better than earning . . . let's say in the Alberta model, 70 per cent of my five-year average margin.

If I was happy with 70 per cent of my five-year average margin, I might do exactly what you're suggesting. But if I want to do better than 70 per cent of my margin, then I have to look at what the market wants. And if I don't, then I guess what I'd be saying is, I'll settle for that kind of minimum level of disaster support from the government and I won't target to do any better than that.

I don't know. I can't predict all of the psychology of people who look at those programs, but I certainly would not want to hang my hat on 70 per cent of a five-year margin.

**Mr. Goohsen:** — Well let me put it to you another way. I guarantee you that by the time it takes a farmer to make three rounds in a field with a cultivator and a tractor, any program that you come out with, if it's flawed, those farmers sitting in those tractors in those three rounds will have figured out a way to maximize the government's amount of money put into the program and the maximum amount of money that the farmer himself can take out of the program and put into his own pocket.

That's how fast it will be done. They will figure out any loopholes in the system and figure out a way to maximize all they can benefit from that program. It doesn't take them very long. Some may take the whole half a day, but it won't take the second day.

So no program that you come up with is going to take farmers very long before they're going to maximize what they can put in their pockets, and they have no concern whatsoever at this point about what crop they grow. Whether it's something that

you want to eat or don't want to eat, they're going to grow, and is easy, fast, and cheap to grow, that puts the most money in their pockets.

And right now in Saskatchewan that would be spring wheat. And in Alberta for the biggest part of the province it would be barley. Now just in case you wanted to know where the differences lie between our province.

In the 1980s — you alluded to the 1980s — and in this discussion you're right back to what goes around comes around. And I recall sitting in a room one day with Grant Devine and saying that this very government that criticized him so roundly and so seriously in days gone by, he stated that before their mandate as government was out, they would face the very same problems and would find themselves doing exactly the very same things that he did in order to try to solve the problems.

I recall him saying that he put up, very reluctantly, close to a billion dollars worth of money into agriculture through the 1980s, all of which he said pretty much had to be financed, and it put the province a billion dollars worth into debt. Lots of other programs of course caused the debt as well, but that's what he attributed to agriculture over that period of time. And of course that's probably 3 or 4 billion by now if you take compound interest into effect.

But he guaranteed us that what goes around comes around and that this government would find themselves in exactly the very same problem that he had. And the problem being, do you try to save the farmers by taking some of the debt off of the backs of the farmers and putting it onto backs of the province? Because he said at that time they believed that the province could afford to pay off debt easier than farmers could because the banks would foreclose on farmers; they wouldn't foreclose on the government.

Are we back into that very same scenario and will it cost us a billion dollars for the province and will that money have to be debt money once again? Are we back into the same cycle as he predicted we would be?

**Mr. Scott:** — Let me respond by saying where I believe we're at as a Government of Saskatchewan, Saskatchewan Agriculture and Food.

We look at the situation that we have today and we see that a good part of the problem that we're dealing with is driven by subsidies from the European Union, subsidies of the United States.

And we also look at the reality that we saw a good chunk of the realized net farm income disappear in the last three years because we moved away from the Crow benefit and that took about \$320 million of net income out of our agriculture industry. That is not income that's going to be earned back by adapting and adjusting overnight. And it's going to take some time.

And so what we see ourselves in is a situation where our farm incomes are being affected by things on the international scene which are driven largely by other national governments putting dollars directly into their agriculture industries. We see an

industry in Saskatchewan where we're missing a good chunk of income because of a decision by the Government of Canada to change policy in transportation. And when we look at all those factors, it strikes us that the solution has certainly a great deal to do with a federal response. And so that's where we're targeting our efforts at this stage of the game.

You know, I can't answer the question as to whether we're back in the same kind of situation that we were in the 1980s. I think certainly we saw some of the same factors, but we also see certainly some differences in terms of the economic scenario that's facing the industry.

**Mr. Goohsen:** — Well I think you're definitely on the right track in most of your areas. I fully agree with you, except we have to take it that one step further which is to point out that we had exactly the same scenario in the 1980s. We had a subsidy war between the Europeans and the Americans and the members opposite will remember when one Bob Lyons committed political hara-kiri by one day standing up in the legislature and saying that it was the U.S. that were causing the subsidy wars. And everybody almost had a heart attack over that, when in fact, of course looking back on it, it was just about as true as it could have been because the Americans were just as guilty as the Europeans. It takes two to have a price war. You can't have it one way.

So the members opposite may want to get into this and rationalize what happens in today's scenario as a result of using the recent history of 1980s as a study format to understand where we're at today and how we should cure this problem. The problem of course, so much similar, that probably one of the mistakes that national governments have made is the fact that they have repeated history too quickly. We still have a fond and quite vivid memory of how things went on — not so fond I guess — but a vivid memory of what went on in the 1980s and the scenario being so much the same.

Now I heard on CBC (Canadian Broadcasting Corporation) radio this morning, it was announced by them that the Minister of Agriculture in Saskatchewan has in fact committed the provincial government to putting money into a program for subsidies and he of course hasn't committed to the amount. Right away of course there was speculation by the CBC that, if he's putting money in or saying that he's putting it in, that he is capitulating to the federal government's long-time stance of 15 or so years, that any programs in provinces would have to be matched on a 60/40 basis.

How much money will that cost? Have you done any number crunching to determine how many millions or billions of dollars it would cost the province to match a program on a 60/40 basis, 40 per cent being the province's share of the investment? Where would that money come from? Would it be new money into agriculture or would you simply be taking the profits out of crop insurance to use that money for the program? Or would you be shutting down other agricultural programs like those that you mentioned under The Agri-Food Act? Would some of those programs have to be now cancelled in order to come up the money to match, or what is the plan?

**Mr. Scott:** — Madam Chairperson, I can't respond to the question of what it would cost. We have not seen a program

from the federal government, so I'm just simply not in a position to answer that kind of a program and that would be assuming that there were some cost-sharing. We don't know what the federal government has in mind for that at this point. And I'm just not able to respond to that question.

**Mr. Goohsen:** — Okay, you can't respond so perhaps you would refer this to the Minister of Agriculture himself and have him get somebody working on it because obviously, if he has committed to putting provincial government money into a program, he must sooner or later come up with some idea of what it's going to cost and where the money's going to come from.

And I think the taxpayers need to know where that's going to come from, as well as the farmers themselves, because if it means cutting provincial agricultural programs in other areas, there may be of course some pretty significant fallout from those kinds of decisions that are going to have to be made.

Now of course if the Premier has decided to put in new money, over and above, and enlarge the money that Department of Agriculture has in the next budget to spend, that will alleviate a lot of that problem. But certainly I think we need to know where we're going, from both a taxpayer point of view and from a farmer point of view.

I want to ask you if you've also, in this scenario of the crisis that we're in in agriculture, taken a look at what can be done to save some of our machinery dealerships. Obviously the crisis in agriculture has got machinery dealers sitting with large inventories. If you drive down the road past any small town right now you will see machine dealerships that have significant, very significant, volumes of machinery sitting on their lots. Obviously machine dealers like any other business have to order in their inventory a year to a year and half ahead of time. Most of them have done that. Last year on the basis of booming agricultural economy they now find that they are stuck with all of those pieces of equipment, and most of them of course are being financed by those dealers.

In that scenario we know very well a lot of those machine dealers will be going bankrupt in a short period of time along with the farmers. If we don't have any machine dealerships that can supply repair parts for rural people that work on the land we of course . . . we have an industry again that is very negatively impacted, and probably a lot of farmers will simply have to go out of business because they can't get repair parts in the next couple of years.

And I'll give you an example of people from the town of Consul, Saskatchewan that now drive a 100 to 150 miles to get a set of spark plugs or any other repair that they need. That would escalate throughout the entire province. You know you can use that as an example of why we see more depopulation of areas, and all those things that impact rural Saskatchewan.

And so I'm wondering if you've taken into consideration in the Department of Agriculture, some kind of a program where you can help machine dealers to continue to exist? I was wondering for example have you thought of going to the federal government and asking them for an input tax credit on farm machinery — both new and used equipment — so that farmers

could have a reduction in their income tax, pay off or claim the deductions from their machinery? You alluded to the fact that farmers live off their depreciation. In times of hard times perhaps we can provide them with a program where they have some more depreciation to live off of.

Tax problems of course become very crucial in a time of economic downturn in an industry, and a tax credit program might certainly help the machine dealers to move some equipment and to give farmers, even those that are buying second-hand equipment, an opportunity to replace some of that equipment that they have. So I'm wondering if you've taken a look at that?

While you're thinking about that also think about whether or not your government is looking at reducing input costs for agriculture — input costs for example like education tax on farm land. Has your government taken a look at reducing or eliminating education taxes to reduce the cost of farming? The cost of farming of course then could be carried on to other tax areas like the PST (provincial sales tax) which is presently charged on grain trucks for example and other farm trucks, and other farm inputs that are not exempt at this time. Have you taken a look at your government's position on those kind of tax reductions to also show leadership in terms of trying to reduce the input costs for farmers as well as to build up their income? I'll let you respond to that.

**Mr. Scott:** — Thank you. You mentioned the farm machinery businesses in Saskatchewan. There's no doubt that one of the first industries to feel the pressure when agriculture comes under a cash flow shortage is the farm machinery industry.

And it is interesting to look at the history in the last three, five years of the farm machinery manufacturing sector. It's seen tremendous growth in the 1990s. And then when the western grain transportation policy was changed there was a large amount of transition cash put into the agriculture industry in Saskatchewan. And of course when that occurs quite often what happens is farmers do replace their machinery. They use that as an opportunity to upgrade their machines, and their implements, and their buildings, and everything else. And so a lot of that occurred, and the farm machinery manufacturing industry, the boom that they were already in was heightened even further as a result of that.

What's happened of course now is that that transition money is basically all committed or spent, and now we find ourselves in a situation where some of the commodity prices have taken a plummet, and farmers don't have a lot of cash, and so they stop buying machines. They stop replacing their capital. And that immediately puts the pinch on a lot of those input suppliers — farm machinery manufacturers being often one of the first to be hurt by that.

The most likely way to do something that will be positive for the farm machinery manufacturing sector and the businesses that distribute farm machinery, is to ensure that there is an adequate amount of cash flow in the agriculture industry. That tends to be what drives their business, in my observation, more than any other single thing. And so by focusing on the need to get cash into the hands of the farm businesses it's my belief that that will have some definite positive impact on the farm

machinery industry as well.

We do know that close to 40 per cent of the jobs in Saskatchewan are in some way or another interrelated or interdependent with the agriculture industry. And when agriculture is in a downturn you find pieces of that whole infrastructure that are affected in a negative way. But the best solution, if you track the history in terms of when those types of businesses — farm machinery — when they do well is when agriculture is doing well.

And so I think the focus should appropriately be put on ensuring that there's the cash flow solution in the agriculture industry itself, and those other things will tend to take care of themselves if that cash is there.

**The Chair:** — Mr. Goohsen, pardon me. Do you have a number of questions yet?

**Mr. Goohsen:** — Yes, I do.

**The Chair:** — I'm going to suggest we take about a ten minute break then, and then you can finish up yours before we go on.

**Mr. Goohsen:** — Sounds good to me.

**The Chair:** — Okay. Quarter to then we'll be asking questions again. Thank you very much. We'll break for ten minutes.

**The committee recessed for a period of time.**

**The Chair:** — If everybody can take their places.

Members, we have quite a long speaking list, and we've had a very good discussion this morning, a very productive discussion. And I appreciate the answers being given. So we'll continue on. And realizing that if it gets quite close to noon, that we're going to have to decide if we're going to work through noon to get finished, or whatever. Just keep it in the back of your minds. We'll continue on with Mr. Goohsen.

**Mr. Goohsen:** — Thank you, Madam Chair. Just in reference to your last comment about deciding, rather than take up time later, I would throw a suggestion at you that the agriculture crisis in Saskatchewan is so significant to the economy of this province that it probably would be worthwhile for the taxpayers to pay for this group to come back another day and talk about agriculture once more. And I would suggest that you put that into your thoughts as you approach that.

Mr. Scott, we were talking about the agricultural crisis, not only in Saskatchewan but of course across the entire world, which of course makes it much worse for us here in Saskatchewan. Because in Saskatchewan agriculture it seems like we are always first into a recession and last out. And that rule having applied in the past, most likely will apply again. But perhaps if we work hard at it we can circumvent the being out last part and get us out of it along with the rest of the world, or maybe even a little ahead for a change.

I want to ask you if you have researched any further in the possibilities of spending the Department of Agriculture's money on this farm crisis, if you have researched any further

ideas and concepts of being able to help farmers without distorting the natural forces of what is required by the world consumers.

I wondered if you've studied some of the old American programs where they in fact set the prices for commodities say in March, and farmers knew what they would be paid, and that way they would determine what their planting intentions were, based on that knowledge that certain products would pay them a certain amount of money while other products would pay them something else.

And I'll use two examples. I'll go back to wheat and canola because they're good ones to compare with. Suppose you set wheat at \$3 a bushel and canola at \$9 a bushel. That way you could be sure that farmers would grow canola in competition with spring wheat. Have you taken a look at those American programs that have been used in the past?

**Mr. Scott:** — Yes, Madam Chairperson, actually we have done a fair amount of research on that type of thing over the last number of years. What we find is that anything where you have a program that offers a price support on a specific commodity, then what you do get into is a distorting impact on what agricultural producers produce.

So our conclusion out of the work that we've done is certainly that if we're going to be having programs that stabilize this industry, we need to ensure that they're based on the income of the whole farm so that income is what triggers the payments that go to the farmers. Income is what triggers the contributions that are made by governments on behalf of the taxpayers into those programs.

As soon as you get into that commodity specific features of any kind, what happens is you do change how people behave in terms of what they produce and also, and probably more importantly for us as a trading province, we rely on the export markets and particularly the United States market to such an extent that as soon as we do something that's commodity related, we open ourselves up to the risk of a countervail action, losing that American market. The borders snap shut on us, and that of course could have disastrous effects on sectors like the cattle industry, the hog industry, and some of our crops as well.

So we've deliberately designed our approach to safety nets for the ag industry on a whole farm basis to stay away from the risk of getting trade actions against us from other trading partners.

**Mr. Goohsen:** — Well, Mr. Scott, I find an awful lot of contradictions within your statements and I think that maybe this is a contradictory kind of a program that we're talking about. But reality is, you talk about the Crow as though it were something that if we could get it back that would solve our problems. I don't believe that we can get it back and I don't believe it would solve our problems.

But at the same time you throw in that you cannot be commodity specific because that would distort things with our trade with the Americans, as if we haven't already shown the Americans by taking away the Crow that we were willing to trade without subsidies when in fact that's why we did it, I was led to believe, is that we were going to show that we were

neutral in subsidies for agriculture, and that therefore the Americans and Europeans should co-operate and go along with that approach to marketing within the world markets.

And now you say that of course we have to be careful not to be commodity specific because we might offend the Americans at a time when they are paying us what, \$60 per kilogram for hogs — I think the lowest that they've been in terms of dollar value to the farmer in terms of spending power of a dollar since God created pigs.

And the reality is that I don't think we can offend the Americans any more in terms of them caring what we do. So have you really talked to any of the Americans I guess is the question, about what programs we could put in that would not be offensive to them.

And have you talked to the Europeans who of course at the present time are using the opposite approach to subsidies, which is \$175 per acre for some of the European farmers as was published in some of the papers here a couple of weeks ago. They have a per acre subsidy of \$175 per acre plus of course they are also subsidizing on a commodity-specific per bushel basis as well.

Have you had any representation through the federal government or through the provincial government directly with the United States and the European Economic Community to see what programs we could put into place that would not be offensive to them?

**Mr. Scott:** — Madam Chairperson, we certainly have had a lot of discussion with our federal government. Our federal government of course is the government that negotiates international trade agreements so most of our input and influence into World Trade Organization agreements or the Canada-United States-Mexico trade agreement, we have our influence through the federal government who negotiates those agreements.

Over the course of the development of those agreements and the administration of those agreements — one message I think that is left very clearly for Canada to consider is that our trading partners will not tolerate a situation where we have commodity related programs. And when I say they won't tolerate them, it's not because they don't do them themselves, because in many cases they do have some programs that are commodity specific and could arguably be seen as trade distorting.

But the unfortunate reality in a sense for us is, if you consider our closest trading partner and our biggest trading partner, the United States, a lot higher percentage of what we produce say in Saskatchewan, for example in agriculture, goes into their market than the percentage of their production that comes into the Canadian market. And so what I'm trying to say in an awkward way is that they need our market less than we need their market. So even though they may have some commodity specific programs that we don't like, that doesn't mean that they're necessarily going to tolerate commodity specific programs from us.

And we talk to the cattle industry and we talk to the pork industry representatives in Saskatchewan, and really outside of

Saskatchewan, across Canada, they repeatedly will tell us do not do anything that is going to be commodity specific that will risk the United States putting a countervail on us. In the case of hogs, we've had a countervail on us years ago and it took years and years and years to resolve that particular problem. And the pork industry is certainly not wanting to get back into a situation like that again.

We haven't had as many negative experiences on the crop side in terms of putting product into the United States as we have in the livestock side, but very clearly we hear the message there from our neighbours south of the border as well. And they are, I think right now, looking very carefully at us to find any reason, or any excuse if you want to put it that way, to erect a trade barrier to Canada because there's no doubt that they are feeling a lot of the same pinch of commodity prices as we are.

And when they feel that the tendency is often to try to find a reason for these low prices and if they see a product coming in from Canada, sometimes that's a good enough reason, even if it isn't a logical one, it's a good enough reason to pursue a trade action against Canada.

So our approach in the last number of years has certainly been to have programs that are whole farm and do not target any specific commodity for risk of losing access to some of the markets that we currently enjoy.

**Mr. Goohsen:** — So do you think that playing Mr. Nice Guy is going to gain you anything?

**Mr. Scott:** — Well I think that so far we haven't had too negative an experience in terms of keeping the market access to the United States. We had a flare-up recently as you will certainly know about, but we so far have managed to get through that one without having a countervail action or a dumping action or some other trade action that they could pursue through the United States trade law.

We keep working at it. But we're in that position where we are a relatively small player in their market. And if we don't maintain the right safety net structure or the right approach to dealing with our agriculture programs, we do risk losing the market. So some will see that as being too nice. But on the other hand there are certain realities of doing business with the United States, and we have to manage those.

**Mr. Goohsen:** — I'd be the last one to advocate a trade war with the United States but obviously you shouldn't enter into trade wars and limit yourself to one industry. And if you're going to deal with a country as big as the United States you've got to talk about natural gas, oil, timber, all of those things that they do need in order to make them see the reality of why free trade is good for them as well as, you know, in reverse of what's good for them and taking advantage of us in the agricultural sector.

Free trade has to be reciprocating both ways. And I think you have to play with a full deck, not just with a half-deck, if you don't mind that metaphor. Because when you're dealing with the Americans, as you can recall the incident that occurred in North and South Dakota started by the governor there this fall just ahead of the election in order to get himself re-elected,

obviously the Americans don't play by any specific rules of nicety.

And I think you have to go to the provincial . . . or the federal government rather, suggesting these kinds of things. And I'm wondering — you know, you have alluded somewhat to dealing through the federal government — but has the Minister of Agriculture for the province actually got a team of people that he is sending to negotiate with the Americans directly, or are we simply dependent on the federal government?

**Mr. Scott:** — It's some of both. We certainly work through the federal government because they are the official government that can negotiate these kinds of trade arrangements. There are other forums that provincial ministers and Departments of Agriculture and trade departments of provinces engage in with the United States, state government, and also with Mexican state governments as well in regard to our overall North American trade agreement.

So provincial governments tend to make their views known directly to the state governments, but also at times to the federal United States government, sometimes directly but more frequently through the appropriate federal minister that's dealing with, in this case, the Americans in terms of trade issues.

**Mr. Goohsen:** — When you were talking about the NISA program earlier, you talked about the fact that there's a considerable amount of money there — a billion dollars, maybe a billion two — and is it the Department of Agriculture in Saskatchewan's position that farmers should in fact spend that money before they get into other government coffers?

**Mr. Scott:** — We have called on the federal government for a package, a disaster package, and we certainly have not said that all of the NISA accounts have to be empty before that kind of package is offered. I think that would be unrealistic in terms of if we were to say all of the NISA accounts have to empty out before the federal government should respond with a program. I think what we'd find is that there'd be a tremendous amount of damage done to the industry before we'd ever see a program put in place to deal with disasters. So the answer certainly is no, we have not said that.

**Mr. Goohsen:** — Do you know what the average age of farmers in Saskatchewan is at the moment?

**Mr. Scott:** — Average age of farmers in Saskatchewan — I would only be guessing, but it's certainly in the 50's.

**Mr. Goohsen:** — If you were to carry that guess a little further, would you agree that it possibly could be closer to the 60's?

**Mr. Scott:** — I wouldn't want to venture that. I'd want to check that to be sure. And it also depends on the definition of a farmer. As you know, we probably have about 90,000 people who report some farm income when they file tax. But we also know that in terms of the number of census farms, we have about 55,000. So it depends on how you count agriculture producers as well.

**Mr. Goohsen:** — Well just in that line, I'm wondering if you

have talked to your minister about the potential that a lot of farmers being in the higher age groups, and obviously if the average is in the 50's, then lots of them must be considerably higher than that. Is there not a very real possibility and have you discussed the possibility that a lot of these older farmers would simply say that their NISA account, in their mind, is their retirement fund? And that before they would cash that money in and spend it on another losing operation in agriculture, that they might simply take that money out of NISA and go to Medicine Hat and buy a condominium and lease their farm out, or leave it lay, or in fact this coming year it may be more practical not to farm a farm than to farm it.

If your projections of zero income are to be believed and taken seriously, then wouldn't those farmers probably be not thinking in terms of simply taking the money and running, and leave the farm lay idle for a year or two and go some place else to live off the NISA and use it as their personal living expenses rather than plow it back into farms.

**Mr. Scott:** — I think there are some people who feel that that will be the best use of the their NISA account. Now when NISA was put in place, it was put in place to stabilize agriculture; it was not put in place as a retirement fund. But we do know that quite a few people view it as a retirement fund and they want to keep it.

And one of the things that I've had said to me by a few people is that yes, I have my NISA account and I could use it to stabilize my farm, but I've kind of lost faith in the future of my farm, so I want to have something that I can walk away with, and that is my NISA account.

Now the way NISA is set up, producers are free to use it for that purpose if they wish. But if they use it for that purpose, then of course it isn't available to stabilize the farm either. So that's a choice that people have to make.

And that's one of the advantages of the NISA program design is that you can make decisions about the best use of that money. It's up to the producer to do that.

**Mr. Goohsen:** — That poses another question, which is of course that if farmers to a large extent do view this as retirement money, and I want to just add for your benefit that a lot of the farmers that I know and talk to seem to be in that category of being a little older. And a lot of them do believe that as far as they're concerned this was their retirement little nest egg and before they plow back into farming they will go into the spring without fertilizer, without weed control. And if there is a program that is income based or commodity based — they don't care — they do believe already that there's going to be some kind of subsidy program because they don't think anybody can survive the competition with this price war that's going on.

So rather than to plow a lot of fertilizer or a lot of chemicals or weed control into the land next spring, they're simply going to cancel all those programs. Whatever cash flow they do have at the moment they're going to hang on to. They're going to hang on to their NISA program money as a retirement nest egg as a back-up. And in case everything does go bad in the couple years, they'll bail out at least with something. That seems to be

the thinking that's out in the country.

So have you thought about the impact that will be obviously throughout the province in terms of your fertilizer dealers, your chemical dealers, along with machine dealers. They're going to be facing the very same kind of problems. What will be the impact on the province and the economy of the province if the majority of farmers simply say we're not going to fertilize, we're not going to use herbicide controls and that sort of thing next spring? How huge will that impact be on our province?

**Mr. Scott:** — If it happens to the extent that you're suggesting, I think it would be a huge impact. And I think this comes back to a comment I made earlier that the NISA program was never put in place to deal with a disaster situation. It was put in place to deal with, as I indicated, the more normal ups and downs in the industry, but wasn't put in place to deal with the depth of the situation that a good many of our producers find themselves in now.

I think the scenario you're describing points to the need to do something about the cash flow situation that's there, and hence the effort to see what can be done by the Government of Canada to fill some of that gap of the realized net farm income that I described earlier in our meeting.

**Mr. Goohsen:** — Well I think the one thing we've learned as farmers over the past 10 years or 15, is that you can't borrow your way out of debt. And I do believe that there are very few young farmers in the province. And because of that, most of the farmers that are in the business are experienced enough to have learned that fundamental lesson through the 1980s.

And because they learned that lesson so well I really don't think, just from talking to the farmers, that they're going to borrow any money to put into farming and take on the debt load themselves any more than they presently have, and they certainly won't do it to a greater extent in the coming year. And so I see that farmers are definitely going to be backing away.

Now you talked about cash flow a few times. And cash flow of course can mean different things to different people. When we talked about machinery, you said you have to have cash flow and if people have cash flow, that of course would free up money to be spent on machinery and alleviate the problems of the machine dealerships and that sort of thing.

The other thing though that can generate cash flow in my mind, cash flow is any dollars that you have to spare that you have a choice to spend. And any money that you have left of it you have a choice to spend, may go into replacing equipment. But it won't be in that direction unless there's an incentive for farmers to be thinking in that direction. Because they may say cash flow is what extra I have, I'm better off to use that money to invest in a bank in Alberta or someplace where I can go to retire. But this business of cash flow then can be generated in several ways. You can do it by getting more for your commodities. You can get it by getting acreage payments. You can get it by reducing costs of invoice.

And again I think that if the province is facing the situation where you are being demanded by the federal government to put up some good faith money in support of agriculture in order



to get federal dollars, we might be better off to use reductions in taxes that don't take dollars immediately out of the treasury. It may, you know, reduce the amount of money that's flowing through the treasury eventually, but it might be better to reduce some of these taxes, and therefore reduce input costs — those things that the provincial government has control over — and to generate cash flow. And then use those as credits towards what the federal government is putting up in terms of their 60 per cent.

Now I'm wondering if you've discussed those kind of possibilities. I used for example the education tax. Have you got somebody that has figured out how many dollars of education tax is . . . the farmers in Saskatchewan are paying? And if you were to cancel that or put a lid on it, what effect would that have? How many dollars would be involved? Have you got people that have done those kind of accounting procedures?

**Mr. Scott:** — Probably not in the context quite that you're describing. You know certainly we have looked at a great many different ways of providing safety net support to agriculture in Saskatchewan. When we developed the current set of safety nets that we now have, one always looks at all of the options.

Again one of the difficulties that you've got to watch for is there are only so many ways you can design a safety net program that meets the whole farm trade neutral requirements. So that's one of the criteria that we look at very closely.

As far as input costs, one of the things that we've done to target the input price problem is to reduce the cost of crop insurance by about a third in the last two years. So we've come at that particular issue that way. We have also provided an exemption for livestock facilities and horticulture facilities through the livestock and horticulture facilities tax credit program. So we've attempted to deal with the input price side in a number of different ways.

I know the school tax on property is an ongoing issue, and it's one that has a fair, fiscal impact on the government — there's no doubt about that. It's something that would not be inexpensive to do. And I'm sure there are lots of things like that that people would be happy to do if we didn't have any fiscal realities to deal with, if we had more fiscal flexibility.

The input side is always an issue because in agriculture we know that the commodity prices will bounce up and down. And when they bounce down often what happens is the input prices stay high. And it takes a while before . . . it takes a period of low commodity prices before we find the input prices tend to realign a little bit to ease the cash flow squeeze on producers.

So we've looked at those things. But what we're saying in the current situation is you'd have to look at an awful lot of those kinds of things before you would have the kind of impact that's needed in the industry right now. When we look at what's really driving the problem in the industry in terms of farm income, those are very large international issues. When you lose several hundreds of millions of dollars of your net income in one year and you've got a projection for the same or maybe even more of a loss in the following year, those are not problems that you're going to solve by making a few changes here and a few there.

They're problems that will need to be solved by someone with a treasury that can deal with those kind of international influences that we're seeing and we're facing in the industry today.

**Mr. Goohsen:** — Well I agree with most of what you say except for that last part, but anyway my opinion is not necessarily that important to dwell on that. Yet you allude constantly to the fact that it's going to be very expensive.

Well the Minister of Agriculture has publicly stated through CBC's announcement this morning that he is going to put government money up. And so I think you're committed and your government is committed and your department is committed now; because you work for the department, so you as an employee of the government are committed.

And it doesn't matter to me how you figure it out, 40 per cent of a billion dollars is 400 million. Now whether you spend it by reducing costs to farmers, by reducing taxes, or if you spend it by writing a cheque for 400 million and having it evenly distributed to all the farmers, it's still going to cost the government \$400 million. That's what 40 per cent would be.

So I think you need to get past your discussions when you're talking to the minister about ideas, about the fact that it's going to be expensive and bite the bullet and admit that you're going to spend some money, and then get at the fundamentals of how you're going to distribute it. And really isn't that what the fundamental problem is?

It's not a question of whether or not they need the money. We know that they do. It's not a question of whether or not the government's going to have to put up some money. We know that you'll have to.

The only question that remains is how do we distribute the money. Isn't that in fact the only problem we really have, and is it not also a problem — and you can correct me, if I'm wrong — but that you also have several outside influences that are demanding that this money be distributed through agriculture in such a way that you create employment for a lot of other people along the way in the province?

**Mr. Scott:** — Your first question was, isn't the problem just how to distribute the money. I wish it were. I don't think it's just that because we have not heard, we have not heard any confirmation from the Government of Canada that there will definitely be dollars. We certainly look forward to an announcement that there will be, but we don't have confirmation that there will be. I understand that a decision may be made in the next short, while but there's no certainty of that. So I think it's much more than simply how we distribute the money.

And I'm sorry, can I ask for you to repeat your second question? Is the question of distribution?

**Mr. Goohsen:** — Yes distribution. How are you going to distribute the money?

**Mr. Scott:** — We talked about some of the models that the federal government is looking at, like the Alberta farm income disaster program model. I mean obviously another method of

distributing the money would be through the NISA program directly. There could be a top up of the NISA contributions. That would be a way of distributing the money. There are all kinds of other ways of distributing the money that get more administratively complex, like acre payments. If you do acre payments for crops it works nicely there, but you can't really do an acre payment for hogs because they don't rely particularly on acres to produce hogs.

So if you get away from anything that's not delivered on a whole-farm basis through NISA, then the administration gets more difficult; and of course when administration gets more difficult it means it takes longer to get the money into the hands of producers. So there are I think two key questions here that do definitely remain unanswered. And one is, will there be money? The Government of Canada has not said there will be at this point; and then secondly certainly how you distribute the money if the money is forthcoming.

**Mr. Goohsen:** — You seem to favour a guaranteed income approach and in view of that how would you handle the off-farm income that a lot of farmers have, but not all farmers have? How will that be figured into the equation?

**Mr. Scott:** — Off-farm income is . . . let me talk about how NISA works and I think that probably will answer your question. Off-farm income is not included in the five-year averaging trigger for NISA; so in other words it's just your farm income that defines your margin. And if the federal government were to go with the Alberta model, then it would probably work the same way, that again, that particular design has not been determined.

The other trigger in NISA however is the minimum income trigger. And for that minimum income trigger, off-farm income is included so that if all of your sources of income from your farm and off-farm are less than your minimum income threshold, then you can trigger a payment out of your NISA account. But it's not included in the rolling average base; off-farm income is not included in that base. And that seems to be something that the industry finds acceptable. So I would think that we'd want to try to do something similar if we were to run some kind of an additional program.

**Mr. Goohsen:** — Well considering that you're looking in that direction of that type of a program, suppose you're a farmer in his mid 30's who has had maybe two years of hail and a couple of years of drought and one sort of an average year, and out of that five years you have taken all of your NISA money out because you as an individual farmer have had to do that and you no longer have any money left in the account. Your average is very definitely now going to be very low. So you won't be getting very much if you use that as your five-year average and that is the approach to income. That particular farmer won't have much of an average; he won't have much of an income.

In fact, the farmer that needs the money the most will likely get nothing out of the program; the one that has been hit by natural disasters now of course won't have any basis left in order to provide him with a claim for an income through this new program that you're suggesting. And the international price war really is of no significance to him whatsoever because he can't achieve any of the criteria to collect money on the basis that

you're talking about.

And in that scenario then you say you're going to protect that situation by providing a minimum income for a family which will take into account other farm income sources. In other words you're saying to that farmer, you might just as well quit your other job if you're driving the school bus because you're now going to be driving it for nothing anyway because it's going to be taken out of your minimum. And you may as well divorce your wife because she's a nurse and she's probably making more money than you ever did and the best thing you can do is get divorced so her income doesn't become a part of the farm. Isn't that the kind of a scenario you're developing here?

**Mr. Scott:** — The crop insurance remains an integral part of the package. If you're in crop insurance and you have payments made due to a crop loss, that is treated as farm income for purposes of the NISA program. And I would think that if we were to run some kind of a model like the Alberta one, if that's what is offered across Canada, that crop insurance would also be seen as farm income so would enter into that average.

Now if you don't have crop insurance and you get three crop losses in a row, you're absolutely right, your margin is . . . your base period, your base margin is going drop dramatically and therefore you'd have less protection coming out of the program.

But I think what we would want to reinforce is that any kind of a disaster program should not be seen as a substitute for crop insurance and for NISA that are there now. Those programs are there to deal with what we call the normal levels of fluctuation in production and incomes. And disaster assistance is something beyond that to deal with that abnormal year or abnormal series of years that you get every once in a while, but not sort of as a normal course of business.

**The Chair:** — Excuse me, Mr. Goohsen. I'm sorry to break in twice this morning on you, but we've had a bit of a change here. I can see from the speaking order and from the questions going ahead, and from the minister . . . or deputy minister's replies, that this discussion is going to carry on longer than noon today.

So I've been speaking to . . . Mr. Whitmore can't be here on another time. And I've also found out that the district health board can't come in tomorrow. And I'm trying to find out if their ministers are available . . . or deputy minister's available at another time to come back and carry on with these discussions. Have you found a time that would work for you?

**Mr. Scott:** — I'm not sure I have all the options here, but there's a suggestion possibly of today?

**The Chair:** — Well we had talked . . . Yes, today possibly at 1:30. What would work very well for us is tomorrow after I think it's 3 o'clock, because we have a department that can't come in at that time. So if you could come back tomorrow at 3 we would appreciate it.

**Mr. Scott:** — I can do that. I would rearrange my schedule in order to be here. I can do either tomorrow or today, whatever the committee's desire is.

**The Chair:** — If we do it today then we would have to change around another department. So if you can do it tomorrow, then we'd appreciate that very much.

**Mr. Scott:** — All right.

**The Chair:** — So we thank you for that. So for the committee members then, tomorrow afternoon at 3 o'clock when it had district health boards — they phoned this morning and they're not able to come in. So we'll have Department of Agriculture come back tomorrow at 3 o'clock.

And because Mr. Whitmore can't be here tomorrow, I'm going to ask Mr. Goohsen for his patience in allowing Mr. Whitmore to ask questions today, and also the committee. This morning we heard from Mr. Gantefer that he had a resolution to bring forward and, we'd also like to deal with that this morning before your department leaves for today.

I know that this is a lot of changes, but you know what they say about the best laid plans of mice and men. So we'll go ahead with Mr. Whitmore. And thank you, Mr. Goohsen.

**Mr. Whitmore:** — Thank you, Madam Chair. I would thank Mr. Goohsen too for the opportunity to speak this morning. I think he's raised several important points in terms of I think the difficulties out there in terms of designing something, in terms of third line of defence, some of the problems out there. I think some of the suggestions in input costs are very interesting too.

And it's difficult for me to keep it in a broad base picture with some of the comments that were made today, when particularly Mr. Goohsen talked about farmers deciding inputs — what to use and what not to use in a crop year, and whether you should do that or not.

And living the crop year I had on my farm, which was I guess the second bad year in a row as one would say in looking at the drought situation in west-central Saskatchewan. By the middle of June it had already determined . . . in fact, decisions were being made in May of what kind of crop or what crop was not going to be there. And it was one of the rare occasions where it was already predetermined in May there was no crop. The last time I can remember in my time in farming was 1988.

And so that limits your options of what you can do. I think the theory of minimizing inputs rather than the concept of maximizing inputs for return starts to enter into the picture. And I think many producers are going to be looking at that this year.

I think though, too, I want to get on to the area first of the federal government and I guess more in the area of the federal officials and their response. Because I do note that at the federal-provincial ministers' conference in July that took place, the Minister of Agriculture at that time from Saskatchewan had asked for, at that time, a sense of disaster relief program or a third line of defence and put that on the agenda of that meeting.

And then as things progressed and I guess income dropped, not just in Saskatchewan but in other parts of Canada, there's been a second meeting that took place and seems to be a catalyst for more action.

Can you tell me what went on at the officials' level though between July until that meeting in November in terms of what action has taken place at the federal government level or was it just sitting in idle for that period of time?

**Mr. Scott:** — Thank you. During that period of time officials began to look at alternative models for a longer-term disaster program. You quite correctly indicate that at the summer meeting of federal and provincial ministers of Agriculture the issue of a disaster component in the safety net framework was discussed. And it was Saskatchewan's view that it was an important piece that should be negotiated as we move towards a new . . . we're talking about a five-year framework agreement that would start in year 2000.

So between that period of time and now, essentially an analysis of different models, and the model I think that the federal officials have been focused on, as I indicated earlier, they tend to be looking most interestingly at that Alberta-type of farm income disaster program model. And it is by no means a perfect model. There are flaws with it. It has some advantages as well, but it's not the only one. There are, like I say, NISA top-ups, straight NISA top-ups that could be built into the safety net framework as well.

So basically an analysis of options.

**Mr. Whitmore:** — Since the November meeting there's been a push by many provincial governments — not just our own — for action and to move quickly. And other members have indicated, you know, that desire to have something in a sense the farmers can go to the bank with. Is there a sense or a timeline of how quick the feds are going to react to this or do we have any sense at all? And I guess, within that, what other provincial governments are also pushing for it, pushing for the third line of defence?

**Mr. Scott:** — The two provincial governments that are pushing the hardest on this are Saskatchewan and Manitoba, and others are pushing some but certainly not as hard as the two I mentioned. It's Saskatchewan and it's Manitoba who, when you look at the farm income numbers, will experience the deepest decline. And interestingly enough of course it was Saskatchewan and Manitoba who are missing the biggest chunk related to the change in western grain transportation policy as well.

So not unusual I suppose that those two provinces are the ones that are pressing the hardest. The need is the greatest in Manitoba and Saskatchewan. Prince Edward Island is also experiencing a fairly steep dip in their income. If you take those three provinces, they're the ones that are taking the biggest dip.

**Mr. Whitmore:** — Are other provinces onside to a program or are any of them saying that, you know, let's not get in a hurry here? Or is there any sense of that?

**Mr. Scott:** — They are — let me put it this way — not offside, but they are waiting to see what the government of Canada is prepared to offer. And then I think what will occur is that they will look at the terms upon which the federal government offers and decide whether they like the terms. The terms could be anything from the program design that they offer to who pays,

and that's the discussion that I think all provinces are looking forward to.

**Mr. Whitmore:** — I forgot my other question in terms . . . Oh, the time line. Is there any sense of when the federal government will be putting an offer on the table? Because you had made mention of the question of a transition . . . you know, whether this deals with the short term or not depends on when they bring the plan forward or where they can kick it in. Do we have any sense of that at all or have they indicated when we could see something?

**Mr. Scott:** — My sense is, assuming that the Government of Canada decides to do something on this question, my sense is that they will do something fairly quickly so that there is the possibility of getting some cash into producers' hands ahead of spring.

And I think when we talk to producers and we talk to the financial institutions, I think people generally see as we move towards spring, being the time when the crunch is going to be felt the most, and it's that February-March-April period that people lay their plans in terms of what they're going to produce. That's when they'll decide whether they're going to cut back inputs. And so if the Government of Canada moves, I think they'll want to move in a fashion that will leave some opportunity for people to consider their response before they lay their plans for the '99 crop.

**Mr. Whitmore:** — Is there any discussion at the officials' level that it would be a national program and not in a sense a pocket of money for each province to participate in and develop their own program to meet their needs, or will it be national in scope?

**Mr. Scott:** — Yes, the indications are at this point very clear that it'll be a national program. If the federal government moves, I believe that what they will offer is a program that is right across Canada and they'll prescribe some terms and conditions for participation. And that's where provinces are, as I indicated, looking forward to what they put on the table.

**Mr. Whitmore:** — It makes me a little nervous that way because we may be tied into something that doesn't allow enough flexibility, and I think Mr. Goohsen outlined some of those problems before in terms of how you deliver the program and how it fits in. I think it needs some sense that the feds have to recognize some of those problems that are out there.

I look on the hog side; even within Canada we have internal subsidization. If you look at the Quebec situation, the dollars they're putting into their hog industry, in light of other industries in Canada that are . . . their hog industries are not doing that. You know, it distorts the figures as it is already. And in a sense it distorts it a bit too with Alberta having its own separate program right now in relation to the rest of Canada.

What's the funding for their program right now in Alberta? Are they totally funding it out of their provincial treasury or is there . . . It's totally out of their treasury.

**Mr. Scott:** — Yes, the Alberta program is run out of the provincial treasury. The only thing that happens is there is a

linkage to NISA so that if you're a producer participating in the Alberta FIDP (farm income disaster program) program, the disaster program, the dollars that you would get through that program are reduced by the amount of your government contributions to NISA.

So that's the only linkage that exists. Other than that it's a provincially funded program.

**Mr. Whitmore:** — I worry the federal government would take that position in the Alberta program and then also the same funding arrangement. I worry about that, that they may say, well, Alberta has funded on their own maybe we should too. And I think that abdicates their responsibility.

But that's a problem out there because if you look . . . You know it's been mentioned earlier, you know some of the subsidies that are taking place in the economic community — durum at \$360 an acre for growing durum above the market value. In terms of the subsidization, no wonder people want to grow durum to that degree there.

You know in the American system, they're sort of . . . they've changed their philosophy in terms of where they're going if you look at the old commodity based systems and going to the . . . what's the term, freedom to farm legislation and support system they put into place, which was a program that put \$7 billion in, in terms of transition similar to what went on with western grain here. But in addition, because it doesn't meet all the demands and farmers weren't getting the same kind of subsidy rate, we now see another \$6 billion kicked in.

And I'm not quite sure how it delivers yet, but there's \$6 billion additional being put in. So you're looking at \$13 billion really in terms of the dollars of subsidization there on all commodities.

And then when you get back to western grain and the subsidy that was being paid in terms of transportation or trying to hold down the transportation costs, approximately \$325 million a year in this province. And then when the deal was changing that, in terms of the transition funding, where this province alone should have been eligible for in the area of \$5 billion of transition only got 1 billion basically three years before it hit.

And if you look at the past three years after the change in the method . . . or not the change of method of payment, but the change in the subsidy in terms of how it came out, we're into the third year where the dollars quit, freight costs have gone up dramatically, grain has not moved that efficiently, and it didn't allow for enough transition for other areas to get kicked up and going in terms of other value added. It's going but not going fast enough.

And then nobody expect . . . I don't think . . . I was trying to review some of the market outlooks from 18 months and 12 months ago and I can't find anybody, I can't find one analysis that says we're going to have an Asia meltdown. There was going to be some decline in price but nobody . . . like everybody who was budgeting last January didn't expect things to drop to this degree.

And that's a problem and NISA has a tough enough time

dealing with modest drops because it doesn't react quick enough. There's been some changes in terms of doing that. Is there any discussion in NISA speeding up even more the ability of producers to get funds out of there?

**Mr. Scott:** — To gain access to the funds?

**Mr. Whitmore:** — Yes.

**Mr. Scott:** — This summer there was a new provision built into the NISA program which allows producers to take interim withdrawals from the program. And so if you think that at the end of the year you're going to be in a position where you would normally trigger a payment, you can make that judgment as a producer early, take your cash, and get the cash when, in your judgment, you need it.

So that was a feature that was added which I think is at least one way of moving the cash in a more timely basis where producers are needed.

**Mr. Whitmore:** — I guess the other thing too, as we've been talking about coarse grain or the grain side, and some of it's good, some of it's bad. You can pick out winners and losers there.

I guess the other area is the hog industry and in terms of where it's going and where it's going down the road in terms of the low prices. What kind of short-term and long-term future do you see for the hog industry right now?

**Mr. Scott:** — The hog industry right now is probably the commodity that is hurting the most in terms of its cash income. There are signs of hope however in the hog industry. We do know that you can lock in your prices for next May-June at somewhere in the vicinity of \$1.40 per kilogram as opposed to prices recently which have been more in the 70-some-cent vicinity.

So that seems to indicate that the market believes that that industry will over the next six months experience some recovery. That doesn't really translate into a lot of good feelings with the current prices, but it certainly does give producers an option to lock in later on at a much better price.

In terms of long-term future, this is an industry that we believe has a great growth potential in Saskatchewan. We've got, if I can say, all of the right ingredients from competitive feed costs to a large land base. And it's one that we certainly expect will grow.

A lot of what we're seeing right now is related to the hog cycle, and we will always have hog cycles. They'll probably be a little more temperate in the future as the industry becomes one which would be seen as more industrialized — larger producers who don't go in and out of business the same way as smaller producers have in the past.

But I think when we look at all of the factors there, we'll see good growth and we'll see certainly a continuation of ups and downs in price.

And I think the people who are investing in this industry these

days understand that cycle and they know that they won't always have good prices, but they see a good future and relatively strong prices on average over the next years ahead.

**Mr. Whitmore:** — Mr. Goohsen had mentioned the idea — and I hadn't heard it brought up for a long time — in terms of input costs on the federal side and the tax side. And that was the idea of the tax credit for new and used equipment. And that's something that doesn't happen right away because you can't do it for this tax year, but that's certainly something that I think maybe should be pursued down the road in terms of talking to the federal government about that.

I forget how the tax thing applies now in terms of the tax credit, but there may be some opportunities there because I think as things get tougher, depreciation is what farmers live on. The tax credit does go a long ways in terms of providing some support there and stimulate the economy too in terms of dollars being spent.

I have the . . . I am fortunate to have the company of Flexicoil in my riding. Unfortunately right now it's lost a few of its employees just due to the slowdown. I had the opportunity to go through the factory a month ago and simply people aren't buying. And it has a dramatic effect on the city of Saskatoon when you take 640 people and say, you're not working right now. So those kind of things are going on.

I know Bourgault in St. Brieux are facing the same kind of things. And these things have really been great assets for us in terms of technology and research and development. Because in the old area of direct seeding and even new ways of conventional seeding, these companies through the producers in Saskatchewan have been leading in the world and this technology is being exported all over the world.

When I toured, a month or so ago, I had the opportunity — it was myself and Mr. Toth — we had the opportunity to take a gentlemen from Australia, a MLA (Member of the Legislative Assembly) from there. And he specifically wanted to go to Flexicoil because they use that product there and he wanted to see how it was being built.

So it shows the importance of those industries. And I know the struggle that they're having right now. But we may have to look at something like the tax credits as an opportunity to keep them going and something to discuss with the feds. In a sense it doesn't cost them a lot of money on a broad sense, but it certainly has a great impact in Saskatchewan or in western Canada in general in terms of what goes on.

Because I know that we've been using tax credits in terms of some of the budget, you know, some of the things that have been implemented through Ag and Food in terms of tax credits to stimulate certain segments of the agricultural community in terms of livestock facilities and such. So I think, I think there's an opportunity there if we can do that.

I just lost my train of thought for a second. I guess too, the other area too, is the danger of being commodity specific with subsidy programs. I really worry about that and particularly in the, rather than say red meat, in the cattle industry. Because the biggest trader we've got right now in the cattle industry is the

United States.

And we've seen this year in terms of other things that are slow. The cattle industry, the calf market is up, feedlot operators are more optimistic to what's going on right now, and there's a lot of buyers from the United States. I suspect if anyone goes over to Agribition today or in the next few days, they're going to see a lot of people from outside Canada looking at our livestock because it is a good product, and where the dollar sits, it's a good commodity.

I guess that leads to the other question too then as I've talked about on the hog side, where do you see the beef industry going in the short term and long term? What's it look like out there for the province?

**Mr. Scott:** — The beef industry is another one that when you look at some of the elements that one needs to build an industry, we have basically what we need. Again, the feed costs, we can grow feed grains in Saskatchewan like nobody else can. We are certainly in an abundance of those. And we see evidence of this industry expanding.

One of the things that has been an issue all the while that I've been involved in the agriculture industry is why we can't — in spite of the fact that we have this fairly large cow herd and produce lots of calves — why can't we keep them in Saskatchewan? And we're seeing some signs of developments in the feeding industry in Saskatchewan and the cattle industry that are really quite promising.

I think over the next five years we're going to see more of our calf crop remaining in Saskatchewan to be fed here and hopefully to be slaughtered here as well. And that of course means opportunity for people to make money on farms; it means opportunity for people to make money in feedlots; and opportunity for jobs in the processing side of the industry as well.

So I certainly would put that in the category of one of the promising areas where . . . our industry over the next decade.

**Mr. Whitmore:** — Well that's the end of my questions right now, Madam Chair.

**The Chair:** — Thank you very much. This morning I'd really like to congratulate the members here because I think that there's been a lot of cooperation shown and a lot of very important questions in a very important area. And I'd also like to thank the department officials this morning for answers and the thoughtful discussion that we've had.

The Public Accounts Committee is really working the way it should be today when we've got everybody working together for this important issue and I think it's raised the level of what we've been doing in this committee.

I'm going to ask Mr. Gantefer then if he wants to go ahead and . . .

**Mr. Hillson:** — Madam Chair, if I may . . . I agree that I'd like to deal with Mr. Gantefer's motion, but if I can be allowed just two or three questions that relate to Mr. Gantefer's motion

before we proceed into it, if that's possible.

**The Chair:** — Definitely. Yes, go ahead.

**Mr. Hillson:** — Yes, Mr. Scott, would you tell us — I realize that it would be too early to indicate any details about percentage or amounts — but is Saskatchewan committed to the principle that a package will have to be cost shared with both levels of government?

**Mr. Scott:** — When Saskatchewan attended the federal-provincial meeting of Ag ministers in the summertime, and we said as we renegotiate this five-year agreement for safety nets, we need to consider what's appropriate in terms of a disaster element. I mean obviously at that point we were saying in terms of the framework itself for the long term, let's talk about it. So a lot of things enter into that.

This more immediate question of incomes that are collapsing in parts of our industry is one that we have said to the Government of Canada, this is an issue that is driven by international events; it is an issue that is driven by actions by national governments, not sub-national governments; and it begs a Government of Canada response. And that's what we have said to date.

**Mr. Hillson:** — Now we have had considerable discussion this morning on the Alberta program, and we haven't mentioned Quebec in terms of the hog industry, that they have a package for their hog industry. How many provinces either have in place a disaster relief program for agriculture, or have indicated their willingness to cost share one?

**Mr. Scott:** — There would be no provinces at this point who have said they are willing to cost share a national disaster program. As I indicated, really the ball is in the Government of Canada's court on this one, and I think people see it that way. We're awaiting their move in terms of will there be something. Do they feel the need is great enough at this point in time that a program is required? And I'm sure that they will lay out what terms and conditions of participation they envision.

**Mr. Hillson:** — So how many provinces besides Alberta and Quebec have initiated something to date, or are they the only two?

**Mr. Scott:** — At a provincial level?

**Mr. Hillson:** — Yes.

**Mr. Scott:** — Alberta has their farm income disaster program. Now in part that program is a replacement for the NISA program because they don't have all of their commodities in NISA.

What Quebec has actually done, they had made some reduction to their hog program in the past and essentially what they have done is to restore the level of support of what it used to be. So that's essentially what they've done.

Now whether they would see that as a disaster program, I would doubt. They probably see that as just returning to the level of support that they used to have, but they would not likely describe it as a disaster response. I think Quebec like other

provinces will be looking at the Government of Canada for some kind of a suitable program response.

**Mr. Hillson:** — Last area I wanted to touch on, if I may, Madam Chair, we know that apart from the subsidies referred to by Mr. Goohsen and Mr. Whitmore that the United States and other countries are increasing their food aid. And a couple of weeks ago we saw 800 million in food aid from the United States to Russia which of course has been traditionally one of our wheat markets.

Now is this something that, as we approach the federal government, that should be looked at; we know that we are going to have to assist especially Central America and the crisis there now. Would this be a way of meeting our international responsibilities and meeting the farm crisis both at the same time — by increasing our food aid at this time and is this something that your department is looking at?

**Mr. Scott:** — This question actually came up at a national farm leaders' meeting and this was just after . . . the discussion about what other countries are doing in terms of food aid was talked about as, you know, is this a way of getting the market propped up again to a higher level of prices? And the observation was made that Canada's activity in the food aid side is not large enough to have an impact on the international market.

When the Americans go in with a food aid package, and they go in it on a large enough basis that it can actually move the market prices. Or the Europeans can do that because they're many multiples larger than what Canada does on the food aid side.

So I think it was seen as a sort of a pebble on the beach approach if Canada was to take that particular approach, at least based on the historical level of food aid that we have had from the Government of Canada.

Now if that were expanded by many multiples, and it would have to expand a great deal to have an impact on the international market, then I suppose it could be an option. But I don't think people see that as the best option for dealing with the current circumstances that we have.

**Mr. Hillson:** — I'm not suggesting that food aid to, say, Nicaragua is "the solution," but is it possibly a piece of the puzzle. We see the crisis there now. We see other countries increasing their food aid. Is this now an opportune time for Canada to also consider increasing its food aid?

**Mr. Scott:** — It could have some positive impact, yes. But it's far from a solution to the problems of the industry in Canada. It's just not of the magnitude that it would have that degree of impact.

**Mr. Hillson:** — And my final question before I turn it back to Mr. Gantfoer and his motion. If we approach the federal government again as is proposed in this motion, is there a danger that we will not be taken seriously when we say there is a crisis in Saskatchewan agriculture unless we indicate our willingness to participate in the program? Is there a need for us to say yes, there's a crisis, and the crisis is of such a magnitude that we're prepared to help too. And is there a danger that if

we're not prepared to participate, that we will not be taken seriously when we say there's a very real problem with Saskatchewan agriculture.

**Mr. Scott:** — I'm going to try to answer your question this way. I would say that what we need to do is keep in context what the taxpayers of Saskatchewan already do in terms of supporting the agriculture industry and what the Government of Saskatchewan does on behalf of taxpayers to support the industry.

We know that on a per capita basis for Saskatchewan taxpayers, the Government of Saskatchewan puts over four times as much towards supporting the agriculture industry as the average of all other provinces; and over four times as much on a per capita of population basis as the Government of Canada puts into supporting the agriculture industry.

So I think in terms of, if your question is do we have credibility going to the federal government and saying there's a problem — and they're certainly saying there's a problem — we're saying that it's a serious problem that needs a response. I think given that degree of support that we already put into the agriculture industry in Saskatchewan, I think we are received as being a credible source of influence and guidance in terms of the development of a solution for the problems we now experience.

**Mr. Hillson:** — But according to our *Public Accounts*, our ag spending has actually been decreasing throughout this decade. Is that not correct?

**Mr. Scott:** — Our ag spending has been decreasing, there's no doubt about that. Our ag spending has decreased at a much lower rate than ag spending of the Government of Canada, for example.

You know, you go back 15 years and this whole safety net area was not an area that provincial governments were terribly involved in. Provincial governments today are cost sharing the existing safety net framework on a 60/40 basis. It's a framework that nobody ever said was ever meant to deal with disaster.

Everybody knew when this particular package was put together there was a missing piece, and it was a disaster component. And provinces of course right across Canada, as this package was put in place, felt that that was sort of a third line of defence which was beyond the ability of provinces to deal with and should be a Government of Canada response.

Now if you poll them today and ask them what they think today in the circumstances, I don't know what you'd hear from each and every one of them. But when you go to a province like Saskatchewan, or a province like Prince Edward Island is another example where the agriculture industries are a huge part of the total provincial economy, there is a limit in terms of what the provincial taxpayers can do before it becomes sort of taking it out of one pocket and putting it in the other, a limit to what they can do to support the agriculture industry.

So I think the province is deeply into supporting the agriculture industry. I don't have any doubt about that when I look at the

numbers. The question is, given the fiscal base of a provincial government, how much should the provincial taxpayers be expected to deal with in terms of the kind of circumstances that we find ourselves in today?

**The Chair:** — Thank you, Mr. Hillson. Go ahead, Mr. Gantefer.

**Mr. Gantefer:** — Thank you, Madam Chair. Madam Chair, just very briefly before I move this motion, I recognize that the motion I'm proposing is a departure from the standard procedures of the Public Accounts Committee. I recognize the mandate of the committee is to deal with those matters referred to it either by the provincial legislature or through the Public Accounts. And so I want to indicate upfront that I recognize that this is a departure from that norm and not precedent setting in any way.

I also think that from our discussion and our questions not only today but through the province over the last numbers of weeks and months, that the urgency of what's facing our agricultural community by virtue of the subsidy war initiated largely between the Common Market and the United States, is something that impacts dramatically on our Saskatchewan farm community and is creating a great deal of uncertainty and a great deal of fear and anxiety in the farm community, and indeed the business community that supports the farm community, as a result of the trade war.

And so, Madam Chairman, I recognize in moving this motion that I am implying and hoping for the leave of the members of this committee in order to do that. And therefore I would like to move:

That the Standing Committee on Public Accounts urges the Premier of Saskatchewan and an all-party committee of the legislature to immediately travel to Ottawa and to meet with the Prime Minister of Canada with the sole intent of obtaining immediate emergency financial assistance for Saskatchewan farmers who are victims of the current international grain subsidy war.

Thank you, Madam Chair.

**The Chair:** — We have a motion before us that was just read by Mr. Gantefer. Has anybody any comments?

**Mr. Shillington:** — I want to make a couple of comments.

**The Chair:** — Pardon me. I guess I should get leave . . . agreement from everyone that we deal with this motion. So agreed?

**Mr. Thomson:** — . . . understanding on this. I want to make sure that we are absolutely clear that this is not a precedent-setting resolution.

**The Chair:** — That's correct. That's what . . .

**Mr. Thomson:** — And that this is outside the mandate of this committee to deal with.

**The Chair:** — That's correct.

**Mr. Thomson:** — That being said, I'm prepared to support it. But . . .

**The Chair:** — Okay.

**Mr. Thomson:** — . . . I just want to make sure that's absolutely clear.

**The Chair:** — I'm sure it's clear in the minds of the members. Everyone in agreement for leave of this motion? Opposed? Okay.

**Mr. Shillington:** — Yes, I wanted to make some of the same comments that Andy just made. We do not . . . There is a standing committee of the legislature on Agriculture that really would be an appropriate place to move such a motion. This really is not. It's outside the mandate of the committee.

That having been said, this is an issue which cuts across party lines. All members of the committee this morning who have been asking questions of the witnesses sound the same. And it is probably an appropriate time to find some tangible way to express our concern about this issue. And I think that's what the motion does.

I don't want to nitpick with the motion, and I'm not going to suggest amendments. I will attach perhaps some caveats. One is the news report . . . One arises out of the news report this morning from the CBC. Mr. Upshall has apparently indicated to the reporter that an emergency farm-aid package is going to the federal cabinet in a couple of weeks. And that was what . . . the basis of the report.

That apparently arises out of a conversation with Mr. Goodale. And so it may not . . . The package may be satisfactory. It may not be necessary for the group to go to Ottawa. It may be that a slightly different group would go.

I recall in 1992 when . . . in the late winter of '92 when a group went to Ottawa, it included leaders of the farming community as well. This motion doesn't include them. As I say, I don't want to nitpick with the motion. I'm not sure the word "immediately travel to Ottawa" is how I would have worded it. I'm not sure I would have entirely included this group. But I don't think we need to be quite so exacting in our approach to the language.

I think the motion properly expresses the concern which all members have about the issue, the need to do something as promptly as can be done. And therefore with those reservations about the particular wording, I'm prepared to support the motion, putting on the record again the undesirability of turning this committee into this sort of a forum for moving substantive motions as distinct from motions on the accounts.

**The Chair:** — Thank you, Mr. Shillington. Any other comments?

We have before us the motion that I'll read one more time:

That the Standing Committee on Public Accounts urges the Premier of Saskatchewan and an all-party committee of the legislature to immediately travel to Ottawa to meet with



the Prime Minister of Canada with the sole intent of obtaining immediate emergency financial assistance for Saskatchewan farmers who are victims of the current international grain subsidy war.

The motion before you, those in favour? Anyone opposed? This motion is carried unanimously.

Thank the members. Thank you for allowing this motion to go ahead and with the leave. And department officials, we do appreciate your work this morning. We look forward to seeing you again tomorrow. And we'll meet again at 1:30, so we're recessed until 1:30.

**The committee recessed for a period of time.**

#### **Public Hearing — Department of Education**

**The Chair:** — Good afternoon to the officials. I'll ask the officials to introduce everyone to the members.

**Mr. Dotson:** — Okay, Madam Chair. Yes, thank you. My name is Craig Dotson, I'm the deputy minister of Education. On my left is Ms. Mae Boa, Ms. Boa is executive director of finance and operations. If I could just observe that she serves in that capacity both for the Department of Education and also for the Department of Post-Secondary Education and Skills Training. And on my right is John McLaughlin, from the Saskatchewan Teachers' Superannuation Commission.

**The Chair:** — And I'll ask the Provincial Auditor to introduce the new officials.

**Mr. Strelloff:** — Thank you. With me who are new from this morning are Judy Ferguson, who's been with us before and leads our work at Education; Rosemarie Volk, also working with Judy; and Salma Salman with Bob Black over there. Thank you.

**The Chair:** — Welcome to everyone. We have two, I believe it's two chapters to go through this afternoon with Education, and before we ask the Provincial Auditor to do an overview and the officials to make any comments, I'm . . . Oh pardon me, I'm sorry.

**Mr. Paton:** — I'm sorry, Madam Chair, if I might introduce two people with my office today. I have Elaine Wood, who is a senior analyst; and Jim Fallows, who is a manager, both at Provincial Comptroller's office.

**The Chair:** — Thank you and welcome. I'm going to read the statement to witnesses.

Witnesses should be aware that when appearing before a legislative committee your testimony is entitled to have the protection of parliamentary privilege. The evidence you provide to this committee cannot be used against you as the subject of a civil action.

In addition, I wish to advise you that you are protected by section 13 of the Canadian Charter of Rights and Freedoms which provides that:

A witness who testifies in any proceedings has the right not to have any incriminating evidence so given used to incriminate that witness in any other proceedings, except in a prosecution for perjury or for the giving of contradictory evidence.

A witness must answer all the questions put forth by the committee. Where a member of the committee requests written information, I ask that 15 copies be submitted to the committee Clerk, who will distribute the document and record it as tabled. And please address all your comments through the Chair.

So with that I'll ask the Provincial Auditor to do the overview.

**Mr. Strelloff:** — And I'll hand that over to Judy.

**Ms. Ferguson:** — Thank you, Wayne. Thank you, Madam Chair, members, and officials. I have the pleasure today of presenting chapter 18 of our fall report and it is provided in the binder to the members. It is only one chapter for Education just to correct the record. There is two chapters for Post-Secondary Education.

The contents of the chapter 18 — the focus is on the department including a number of special purpose funds and Crown agencies and they're listed in actually in paragraph .05 of the report. And I just want to take a moment to go through that list just to remind people of the funds and organizations associated with the department.

You'll find that there's a number of revolving funds: correspondence school, Saskatchewan learning resource distribution centre revolving fund, which some people might know as the Book Bureau, Saskatchewan division of tax loss compensation fund, the Teachers' Superannuation Commission, and then the last one, Saskatchewan Communications Network Corporation which actually is more suitably connected with Post-Secondary Education as opposed to Education itself.

In this chapter we report on our audits for the year ending March 31, 1997. Our report on 1998 will be coming out shortly this fall. In this chapter, in paragraphs .12 to .14, we present our conclusions and findings. In there we provide you with the assurance that the financial statements for the various funds are reliable.

The department had adequate rules and procedures to safeguard and control its assets except for a number of matters that I'll bring to your attention. And it complied with the law, again except for a couple of matters which I'll bring to your attention.

In this report we report that we didn't complete the audit of the school division tax loss compensation fund and we report in our spring report that the financial statements of that fund were reliable and that they do have adequate rules and procedures.

In the report, in paragraphs .06 to .11, we bring to the attention a matter that we felt was important for the members of the Assembly. And in there we report that the accountability for education needs to be reviewed. And we do it in the context . . . We raise this matter in that the Swift Current system of accountability is a relatively complex system for people to understand and to fully appreciate.

As members are aware school divisions have the ability to tax, they raise their own revenues. It is somewhat unique in that although they have the ability to tax and raise revenues, they don't make a number of key decisions that in essence the Minister of Education is responsible for and the department is responsible for.

And those include setting the curriculum. They also include involvement in setting teachers' salaries and remuneration. And those are key things and key items that people should be aware of.

For that reason we think it is important for people to understand — have a better understanding — of the current accountability structure and how it works. And in our report that is . . . in our chapter in our next report, we make some further comments on this as a significant challenge facing the department in that we feel there should be a better understanding of the accountability system and that the department should play an active role in ensuring the people understand the accountability system — how it works and to have a clear understanding who is accountable for what, when, and why. And so in this report we raise this issue and we further elaborate on that in a future report.

In paragraphs .15 to .25 we again deal with school divisions. In these paragraphs we report that the department needs to set out what it expects the school divisions to do with the public money it gives them. The department needs to know how well the school divisions meet the expectations and report results to the Assembly.

We note the department does not require information from the school divisions to know if they meet the department's expectations on a broad basis and how well the school divisions safeguard and spend their money.

Madam Chair, we haven't examined the accounts of school divisions to know whether or not they properly safeguard and spend public money. And this is a matter that has been reported in our previous reports.

In this report we recommend the school divisions prepare their financial statements following the standards recommended by the CICA (Canadian Institute of Chartered Accountants). As noted in the report, the Public Accounts Committee has considered this matter previously and agreed with this recommendation. We note progress in that the department is working with the school division officials on this matter and that there is ongoing discussions. It is not yet resolved but there is discussions under way.

We also report that for the year ended March 31, 1997 that the department had a problem with respect to the way it calculated its grants to school divisions. The regulations set out how to make the calculation and in the year under review there was an issue with respect that the calculation wasn't made in accordance to the recommendation. That matter has not continued in the future. It has been corrected.

That completes the matters that we bring to the attention of the members of the Assembly for the department itself.

The chapter also includes matters that relate to Teachers' Superannuation Commission. That starts on page 167, paragraph .41. The commission falls within the umbrella of the department and in this section we report that the planned financial statements are reliable, that the commission had adequate rules and procedures except for one matter, and again that it complied with the law except for one matter.

In paragraphs .44 to .52 we report that the commission needs to improve its monitoring of investments to ensure they comply with the law. The law in pension plan investments aims to reduce the risk of loss to pension plans. The Pension Benefits Act, 1993, sets out rules for pension plan investments. When pension plan administrators contract with investment managers to make investment decisions for the plan, the administrators must ensure their investment managers comply with the law.

The commission did not receive compliance reports from its investment managers . . . Sorry, it did receive compliance reports from its investment managers but it did not verify those reports to make sure the reports were reliable and accurate.

Madam Chair, members of the committee, we're pleased to note that this matter has been corrected and is resolved, and the commission has an agreement with its investment custodian to monitor compliance with the law and to provide reports to the commission appropriately.

In paragraphs .54 to .57, we note that the commission did not table its annual report on operations in compliance with The Tabling of Documents Act. Since the time of this audit we note that the commission has made progress in improving the timeliness of its reporting and tabling of the reports, and although its '96 and '97 reports were not tabled on time, they were not significantly late neither. So there is progress noted in this area.

In paragraphs .58 to .63, we note that the commission became aware of incorrect reporting by certain school divisions regarding pensionable earnings and/or days taught by retired teachers receiving pensions. The commission completed its work on the extent and nature of this incorrect reporting and, at this point in time, we have not completed our review of the commission's work and we'll report our findings in a future report to the members of the Assembly.

That actually concludes my presentation on the Department of Education, I'd be pleased to respond to any questions.

**Mr. Streliaff:** — Thank you, Judy. Madam Chair.

**The Chair:** — Thank you very much. I'll ask Mr. Dotson if he has any comments he'd like to make before we go to the members.

**Mr. Dotson:** — I may just . . . I'll try to be brief, Madam Chair.

I would note what Ms. Ferguson said with respect to the auditor's office's 1998 report, not the one that you have before you but the one that they have finished, I have seen, and that they are intending to table with the Assembly and the members some time in the next 10 days or so. And I'm not being facetious when I say I would wish I could come back next week

because I am so delighted by the new approach — and it is genuinely a new approach — that the auditor's office has taken with respect to the new 1998 report that you will have an opportunity to see in 10 days' time or so.

We have been in reasonable, respectful, and I think intense dialogue with the auditor's office over the last two years or so and I think that the fruit of that dialogue is manifest in the new 1998 report which elaborates in a new way on what Ms. Ferguson told us a moment ago about the shared responsibility in Saskatchewan as between the ministry — the provincial government, the ministry — and on the other hand, the boards of education. And I'll elaborate on that in just a moment if I might.

Madam Chair, would it be appropriate if I just quoted two sentences from the 1998 report? I'm very pleased with them. Would the auditor mind?

**The Chair:** — Yes you can.

**Mr. Dotson:** — Okay, thank you. In my experience, and I've been paying attention to auditor's reports in Saskatchewan for almost 25 years, in my experience the 1998 report is the first one I have ever seen which takes a specific issue and cites . . . examines that issue with some intensity and cites that department's undertaking of that enterprise as an exemplary model for other public authorities to emulate. And it has to do with our public reporting and accountability on the indicators that describe Saskatchewan's education system. And in his conclusion, the auditor's report says:

The Department of Education has used best practices and has succeeded in gaining and maintaining key stakeholder commitment to the tracking and reporting of education indicators. In doing so the department has demonstrated leadership in reporting.

And you can understand why I wanted to put that on the record. We are enormously proud of our indicators program and I think that the school trustees, the Teachers' Federation, and the directors of education as organizations should feel the same degree of pride as we in the ministry do because it has indeed been a shared undertaking.

I make just a couple of other observations. I point out that today, November 23, a Monday, there are approximately 200,000 students in school in Saskatchewan more or less. That's about 12 times more persons that are today in nursing homes and hospitals in the province. There are only about 35,000 people today, November 23, who will receive some form of insured health care coverage in Saskatchewan today and yet there are some seven times that number of youngsters in our classrooms in the province today.

Education in this province is the single largest social structure that Saskatchewan has. It encompasses on a daily basis approximately one-fifth of Saskatchewan's population. And unlike the correction system or the land titles' system or the driver's licence system, not all of us are required by law to participate in any of those systems. Unfortunately, the 9- and 10-year olds are required by law to participate in the school system. They don't have a choice.

And my final observation then has to do with the uniqueness of Saskatchewan's public education system in Canada. It is unique in this regard. And the comments I'm about to make would be echoed by my minister, they would be endorsed and echoed by the Saskatchewan Teachers' Federation, they would be endorsed and echoed by the Saskatchewan School Trustees Association. My point is this: in no province in Canada is there a better, longer term, more consistent and more constructive relationship between the provincial government, the provincial department, and the principal stakeholders in education than is the case, and has been the case, for some number of years in this province.

So that will be my final comment, if I may.

**The Chair:** — Thank you very much, Mr. Deputy Minister, and I congratulate you on your praise from the Provincial Auditor. I don't believe that happens very often. Anyway, congratulations and we'll go ahead to members, starting with Mr. Gantefer.

**Mr. Gantefer:** — Thank you, Madam Chair. Welcome Mr. Dotson and officials. Education is an area of some continuing interest. I spent six years on a board of education in Melfort in which I always look back on very proudly and in a very rewarding way.

And I think that you're right in terms of the fact that there is a very positive relationship between the school trustees, the teachers, and the department and has . . . that has been the model, I think, for a good number of years. And certainly in so far as your role in that is concerned you deserve to be congratulated and thanked for that.

One of the issues that the auditor raised in this part of the report is the idea of expectations. And of course that's a very vague kind of a concept in many ways and I appreciate your reference to the educational indicators program that you speak of in the 1998 report. And I guess that all of us have heard anecdotally from time to time, even within one school division, that people will perceive that there is a noticeable difference in the level of delivery of education program or between one school and another, between one school division and another, urban and rural, within rural school divisions, community, there's all kind of perceived, at least, differences in expectations and actual delivery of results.

I wonder if you would comment on that general concept and indicate if your educational indicators program is some attempt to quantify the very subjective nature of some of these programs.

**Mr. Dotson:** — Yes I will and thank you for the question. You chose not to start with a small item, eh?

**Mr. Gantefer:** — You'll get to know how I operate.

**Mr. Dotson:** — I suspect that — well I will, I will assert I think — that there is no large, social enterprise that is less managed than elementary and secondary schooling — less managed. It's not that every teacher in every classroom is a free spirit, and I don't mean to suggest that, but principals, directors of education, central office staff, and the department rely implicitly on the professionalism of Saskatchewan's classroom

teachers to conduct themselves ethically, professionally, in accordance with the best interest, pedagogical and otherwise, best interest of youngsters in their charge. And to do so in accordance with the standards of their profession and to do so in accordance with the formal written expectations of the ministry and the government with respect of the curriculum being offered — appropriate for the age level, and the subject matter, and the other circumstances in that school and in that community and in that classroom.

As a consequence then of the extraordinarily broad range of human beings, boys and girls, young men and young women, who are students and as a consequence further of the extraordinarily broad range of individual men and women who are not automatons, not robots, but professionals in the classroom, at the front of the classroom. It is therefore not surprising, first, that we would have subjective perceptions of different strategies, techniques, and instructional methodologies, and also differences in . . . subjective perception of difference in student achievement outcome.

A second reason for the differences in the personality and nature of a classroom or a school has to do with the differences in children. The children in La Loche, Saskatchewan are different than the children in my neighbourhood. The social circumstances, the life experience of their families, the maternal language spoken in the home, the occupational status of one or the other or both of the parents, the occupational status of the extended family adult — those differ from one community to another.

Even were — and they aren't — even were all of the processes identical — I'm using very mechanistic language here — even if all of the processes were identical, the fact that the inputs — to use a terrible word to refer to children — since all of the inputs, the children who come to school, are themselves so different, even were the processes identical, the outcomes would nonetheless be different.

How do we seek to cope in that sort of world given that the provincial government has constitutionally, morally, and otherwise some significant responsibility for the superintendence of the system. Among other things, we rely on our expectation — clear, crisp, explicit, and mandated — that every school division and every school in the province will teach the Saskatchewan curriculum. We are confident that they do.

Secondly, we rely on the sustained professionalism of teachers as a profession.

Third, we rely on the good faith, the community-based local knowledge and interests of locally elected and locally accountable trustees on boards of education to manage their own schools in their own communities in accordance with their community expectations and standards.

And finally — and I think this is our department's biggest job — and that is we seek to provide as required, both leadership and support to school divisions, to schools, and to classrooms. And I don't want . . . I would not want to leave the impression that we respond only passively to provide support where it's asked for — that's not true. Nor would I want to leave the

equally erroneous impression that we seek in a *dirigiste*, centralizing, we're from the department and we know what's best for everybody sort of attitude. We don't adopt that attitude either.

We seek to adopt through our regional offices in Melfort and the other six and through the department centrally, a posture, a consistent posture of providing to school divisions, classrooms, and schools, our services of leadership and support.

I understand that my answer is not crisp, but I'd be pleased to elaborate on any of those points.

**Mr. Gantefer:** — Thank you very much, Mr. Dotson. I wasn't expecting a crisp answer, more of a philosophical one in terms of the direction that you're going to in the department.

One of the challenges of these expectations and some of the differences that happen between communities and facilities are indeed the plants. And there seems to be a concern that the replacement of physical buildings, the capital assets if you like, is getting to a stage where, by the nature of the age of facilities, that we're facing a bit of crunch potentially coming up — just as there are some changes that happen in the demographics of teachers and you get a bulge of people that become of retirement age and that affects the job market and all those sorts of issues.

Could you give us a bit of an assessment of where the physical plants are in terms of renewal or replacement. It strikes me that when you drive in Saskatchewan you see a lot of these community schools that are starting to show their age.

**Mr. Dotson:** — In that regard, Madam Chair, they're not unlike some of the rest of us.

We have more classrooms in Saskatchewan than we need. Unfortunately they're not all in the right place. We have many, many, many sound, solid, well-constructed, well-maintained schools in rural Saskatchewan that have somewhat fewer, or in some cases, far fewer students than they could quite easily, happily and comfortably accommodate for sound instruction.

In some of our growing communities — I think of Lloydminster, I think of growing areas in our two major cities, on the fringes of our two major cities where new families, new young families with children have settled or are settling. And we have inadequate number of classrooms there but a surfeit of classroom space elsewhere.

Our school infrastructure is old. Many, many schools in use today were built in the 1950s; many were built in the 1960s. Many have gone somewhat beyond 30-year design life, as it were, of the facility.

Notwithstanding that, many of these were built very well and have responded quite nicely to an infusion of renovation or repair or rehabilitation monies. I think of the comprehensive high school in Melfort. The comprehensive high school in Melfort was built presumably in 1967 or 1968 or 1969 when all the comps were built and it is now approaching of course its 30 years, probably a 30-year design life. Three or four years ago some substantial provincial monies went into that in an effort to

do two things.

I just observe for members of the committee, Madam Chair, that the comprehensive high school in Melfort is serving substantially fewer students than the size of the building would accommodate — 6 or 7 or 800 students and I think it could easily accommodate 1,000 or 1,100 if I'm sort of in the right ballpark.

Nevertheless, we've put some significant provincial capital monies into that for two reasons. One, to keep that building healthy, safe, and appropriate for instructional purposes for kindergarten to grade 12 students. And secondly, in the interests of economy, to permit it to be co-used, jointly used, by the regional college.

And now that comprehensive high school in Melfort, like the one in North Battleford, like the one in Estevan — all three of which were built within the same three- or four-year period in the late '60s when the comps were built — all three of those have had an infusion of capital monies in the last four or five years, first to make sure that they're safe, healthy, and instructionally appropriate; secondly, in the interest of economy, to permit the regional college students, the adult students, to use those wonderful, wonderful, facilities.

We are . . . our number one capital priority always has and remains health and safety of students and of those who work in the school. And the second priority remains the seeking to address critical space shortages where we have more students than classroom space in a particular community or neighbourhood. And third, and this is pretty far down on the list then, is desirable but not urgently necessary improvements, if I can put it that way.

**Mr. Gantefer:** — Thank you. And I appreciate you making mention of creative use if you like of the physical assets in Melfort. And of course you're more than aware of another community in my constituency that has been very creative as well, in Tisdale, in terms of facilities used by the community, by the Department of Health, the library, really a multi-disciplined approach to using a facility.

And I think that there is some wisdom and some solution in terms of the physical plants by going more to community usages and not strictly limited to educational purposes, that there are other areas as well.

One of the comments that you made in terms of saying that we have more than enough classrooms but they're not necessarily in the right spot, I noticed at the last Saskatchewan school trustees' meeting that there was some discussion or at least call for a consideration of urban busing. Would that be an attempt to try to move students to where the physical plants are or what would be the background in terms of that initiative or discussion?

**Mr. Dotson:** — This arose from a situation that exists in the city of Saskatoon. And in the city of Saskatoon in one neighbourhood we have a new, very handsome, Roman Catholic separate school, St. Joseph High School — a wonderfully attractive place for families and students. The next nearest Saskatoon public high school is I believe Evan Hardy

Collegiate. Evan Hardy Collegiate serves the youngsters who are in that part of Saskatoon. Evan Hardy Collegiate is somewhat further away.

Some families in that part of the city have indicated that given the cost of transporting their public school students to the next nearest public high school, Evan Hardy, they might be considering sending their hitherto public school, high school, secondary school students to St. Joseph's High School.

In response Saskatoon public school division has elected to pay for busing of those of its students facing that set of circumstances, such that they can be bused, to the next nearest public high school, and thus sought to mitigate the temptation, moderate the temptation, that those families might feel to go the next nearest high school which was St. Joseph Roman Catholic High School.

Saskatoon public has thus put forward . . . I don't know if that resolution passed at the convention. I don't know. But I believe it was Saskatoon public school division that put forward then . . . They have asked us for busing assistance, and we have been . . . respectfully declined the opportunity to provide busing subsidy for urban high school students in such circumstances. Saskatoon public has been paying a subsidy to the parents in those neighbourhoods in that one part of the city, and understandably has provoked some differences of opinion from some families in other parts of the city whose children are not eligible for busing by that school division.

**Mr. Gantefer:** — To finish up in the area of where I started in terms of these expectations. There seems to be the perception that there is a significant imbalance of the fairness of the way property tax for educational purposes is assessed. And I think that at a recent SARM (Saskatchewan Association of Rural Municipalities) convention the comment was made that rural people pay proportionally four times more than urban people do for the cost of education. I'm not at all saying that I agree with the statement or am necessarily even attributing it correctly.

But there certainly seem to be the perception that, first of all, property tax for education has become a very onerous part of property tax in general, and I think by the rural community that there is a disproportionately unfairness about the way it's levied on agricultural properties. Would you care to comment on that minor issue?

**Mr. Dotson:** — Yes. Yes, thank you. The issue of which property tax ratepayers should pay which proportion of the total property taxes paid in Saskatchewan, is one that was sleeping. It was a major issue but it was asleep for 15 or 20 years.

It burst forth on the provincial scene as a consequence of the province-wide reassessment in 1997. Prior to that for the last 10 or 12 or 15 years, everybody who pays property tax felt perhaps that they paid more than they should, but by and large it was a quantum issue, not a fairness of proportion issue. That issue, the fairness of proportion issue, burst forth as a consequence of reassessment in 1997.

In general terms, what happened with province-wide reassessment was that the total assessment of the province remained of course at 100 per cent. Obviously it started out as

100 per cent; it ended up as 100 per cent. What changed though were the proportions within that.

Agricultural land ended up after reassessment constituting a somewhat larger proportion of total provincial assessment, property assessment in Saskatchewan, than had been the case previously.

Contrary-wise, residential properties and commercial properties in small communities — Melfort perhaps, I don't know — but in small communities across the province in the smaller urban municipalities, residential and commercial properties ended up bearing a significantly smaller proportion of assessment in Saskatchewan than had been the case previously.

The overall pattern that resulted from reassessment was to increase the proportion of property assessment in Saskatchewan held within rural school divisions, and to decrease the proportion of property in the province, property assessment value in the province, that exists within the urban school divisions.

In other words, Saskatchewan's property tax assessment regime concluded — this was not a conclusion of a person; this was the outcome of a systemic revaluation of property assessment — produced the outcome that measured by the assessed value of property, rural school divisions commencing in 1997 were deemed to have a larger local fiscal capacity than urban school divisions.

Now any one of us may agree or disagree with that outcome. That was the outcome of a systemic province-wide reassessment that was undertaken in 1997.

In part as a consequence of that, there was a modest shift in provincial government operating grants which were paid out on a strict equalizing basis, as members know, sufficiently strict that there are some school divisions that get zero grants from this government and our department. Their grant to them is zero.

The consequence then was that there was a modest downward shift in operating grants paid to rural school divisions and a modest upward shift in grants to urban school divisions.

Finally, in the city of Regina or the city of Saskatoon, a homeowner or a ratepayer will pay approximately the same amount of property tax to its school division as he will to the civic authority, just about 50/50, just almost bang on exactly the same.

And in the city, in Regina, the school division to which I pay my property taxes provides a whole broad array of educational services to the youngsters in the community and that costs 18.9 mills on my property tax. On the other hand, the civic authority provides, in my case, a whole broad array of civic services — police, fire, public library, and a whole host of flowers and street lights and sewer and water and all manner of things — for which I as a resident of Regina pay and from which I derive enormous benefit. And as a consequence the civic authority levies on my property almost exactly the same mill rate and the same dollars out of my pocket for civic purposes as for educational purposes.

That is not the case in any rural municipality. The rural school divisions have a mill rate that is more or less equal to, more or less equal to, the education mill rate in any of our cities, but the RM (rural municipality) typically don't provide expensive or extensive public library services nor civic parks nor street lighting nor sewer and water services and so on, and as a consequence in rural municipalities, the civic, the municipal portion of the property tax, is substantially lower than the education portion.

And so in a rural school division in a rural municipality we may find a gap like this whereas in any of our cities it tends to be like this. As a consequence then, those who pay property tax on farm land have an annual, crystal clear, stark reminder in the form of the tax notice, as to which taxing authority they're paying the lion's share of their taxes payable.

**Mr. Gantefer:** — I appreciate your assessment of the fact that reassessment had a significant impact on this perception. I think another issue that has had impact on the perception was the fact that provincial funding for educational purposes to local school divisions have not kept up with the costs of providing the service. And I know that we always talk about the 60/40 ratio, that it used to be that the province paid approximately 60 per cent of the cost of delivering a K to 12 program and the local property taxes responsible for 40 per cent, and in broad terms that that is largely reversed.

And I recall in my days in the school division it was more like the 50/50 ratio or real close to that, and I appreciate it might be 48/62 or whatever but that general perception, and therefore more of the total cost of delivering a program has fallen on the property tax owner so that in addition to the fact the assessment has done some shifting the overall amount of . . . a proportion of the cost of delivering an education program has also shifted onto the property which magnifies the issue. Is there any indication or is there a commitment on the part of the department to at the very least stop that erosion of the ratio and in fact make steps on reversing it?

**Mr. Dotson:** — The Premier and ministers of Education for the last several years have consistently stated that it is the policy intention of the Government of Saskatchewan to increase the government share of the total cost of education as the province's fiscal resources would permit.

That challenge is compounded by the fact that a part of the equation is not in the hands of the provincial government. The government is . . . We're talking about a ratio here — a ratio is the provincial contribution as a proportion of a total school division expenditure.

The provincial government is in charge obviously — Minister of Finance's budget every spring — the provincial government is in charge of the first part of that equation, but has no control whatsoever over the second part. That is in the hands of approximately 100 locally elected, locally autonomous, locally responsible boards of education. And that then exacerbates, or complicates, rather, complicates the task of changing the proportion. In 1998 the provincial proportion increased.

**Mr. Gantefer:** — For that one calendar year after decreasing for a number previous, would that be fair?

**Mr. Dotson:** — In 1991, I believe, or 1991-92, I'm not sure which, I believe that the provincial share was about 45 or 46 per cent. And in 1998, rounding to the nearest whole percentage, it would have been 40 per cent.

**Mr. Gantefer:** — So it has indeed eroded.

Finally, a curious thing that has to do with governance more so. I noted recently that there was a by-election of a school member in Regina. And as I recall, and I stand to be corrected, that there was somewhere around 5 per cent of eligible voters participated. Is the department — and I recognize that by-elections are never as interesting as general elections and school board elections probably not as interesting as other forms. Has there been any review in terms of the requirements of school divisions which I believe if a resignation happens into the year of, the calendar year of when a general election is held anyway, then there's no requirement for a by-election. But if it's prior to that, and I believe there have been instances where school boards have almost maintained someone on their record or on their roll just to make that December 31st deadline.

The question I'm asking: in light of this by-election with the low turnout and the expenses involved for the school division for running it, has there been some thought of reviewing the requirements for filling positions by by-election?

**Mr. Dotson:** — Yes, promoted by a comment in the media from a member of the Regina public school board on that occasion. And this person suggested — I know it was not a formal proposal — but this person suggested that perhaps it would be best if in our society where, after no later than a certain number of months, I'll say two years, but no later than after a certain number of months, there had been for whatever reason a vacancy on the school board, then his proposal was in that case the person who had stood for election in the most recent board of education elections with the next highest number of votes should be permitted to take his or her seat as a member of the board of education.

We did examine that with some care and attention and it would be ... This would be a matter for the legislature of Saskatchewan to deal with. This is a political question; this is a question having to do with the essence of democracy. It is not a bureaucratic issue in my view.

Our conclusions ... The issues that we examined and identified had to do with the risks to democracy in a community if such a proposal were acted upon and I will hypothesize a circumstance as follows.

There is a seven member board of education. There are eight persons who seek election for the seven seats. Seven of them are in favour of running the school division this way. An eighth person thinks that we've been doing it wrong for the last 200 years and would propose quite actively in his or her campaign that we should stop doing it that way and start doing it this way.

By a wide margin the members of that community elect the seven and reject resoundingly the eighth. Six months later one of the seven gets hit by a cement truck and is no longer able to serve in that capacity and that proposition would have that eighth person, whose views were well known to his or her

community and were resoundingly in a free and open election rejected, now suddenly put forward as a member of that board of education.

Moreover there may have been members in that community who, because of the residency requirements, were not at the time of the most recent board of education elections at that time not eligible to seek office, but now by the effluxion of time now today are eligible and they today may wish to put themselves forward. And such a proposal would deny to them the opportunity to seek office and deny to their neighbours the opportunity to put them into a position of trust.

This is not a question in my view, Madam Chair, for officials like ourselves to resolve but it's one I feel that we had a responsibility to think our way through and those were some of the thoughts that ... I guess to sum up, Madam Chair, democracy is a very messy and expensive business.

Thank you, Madam Chair.

**Mr. Hillson:** — Just to continue then for a moment on the messy business of democracy, some people in this province were cut out of it — of course the resort villages that don't have a school board vote and seem I think quite disturbed by that. Has the department looked at that? Are you prepared to recommend some resolution to that problem of taxation without representation?

**Mr. Dotson:** — I liked it better, Madam Chair, when they used to ask the easier questions.

We are well aware of the issue that the member raises. We have sought to think our way through this. We are bedevilled in our attempts to come up with a clear-headed consistent recommendation on this point. By the fairly broad array of eligibility criteria, voter eligibility criteria, candidacy eligibility criteria that appeared to exist in Saskatchewan as among elections for Members of Parliament, elections for members of the provincial Legislative Assembly, elections for rural and urban municipalities, and elections for board of education. I believe — well and I may as well add district health boards — I believe that no two of those has exactly the same eligibility criteria or candidacy, both for candidacy and for voter eligibility. And the fact that — and it is a fact — that a homeowner in North Battleford, Saskatchewan, who pays his or her education taxes on that property to one of the other school boards there and also owns a resort property is also expected to pay property tax on that property but is expected to do so without the opportunity to be able to vote for the members of the board of education setting the mill rate upon which his taxes are based.

That's true, Madam Chair. We have turned our mind to this with some care. We have consulted with our colleagues in other parts of the provincial government — e.g., with respect to the rural and urban municipal electoral regime — and haven't formed a conclusive opinion yet.

**Mr. Hillson:** — If I may though, what I seem to be picking up — it's not an issue to those who own a second residence, a beach cabin. But there are an increasing number of people, their sole residence is now in the resort villages — especially what I

call the young retirees — and that they're people for whom this is an issue. The second residence people don't raise it to me. But as I say, increasingly, we have a number of people who live in the resort villages, that's their only residence, and they're the ones who feel discriminated against.

Can there not be . . . And as I say, you mention provincial or federal elections. Obviously the people in my constituency who have a primary residence in Saskatoon, they do not have a provincial vote in North Battleford. However, those who actually live at the lake and that's the only place that they live — yes, they do have a provincial and federal vote.

**Mr. Dotson:** — Certainly take that under advisement.

**Mr. Hillson:** — You're aware, sir, that other provinces are now experimenting with other methods of providing parents and ratepayers with input into education besides the traditional school boards, and this province is not going down that path. And I wonder if you could just briefly describe what you see as some of the options and why Saskatchewan does not feel that they are an appropriate way to allow parents and ratepayers input, and why you . . . or if you do continue to think that the traditional school board is the appropriate way to allow a local voice.

**Mr. Dotson:** — Okay, thank you.

The Department of Education very strongly believes that the current system of educational governance in Saskatchewan is sound, responsive, politically responsible, and accountable to those whom it serves and those who elect it.

In 1996, the Government of New Brunswick abolished locally elected school boards in that province. In Saskatchewan this government has publicly stated its rejection of any such proposal. Schools in New Brunswick henceforward have been essentially governed by the ministry of Education in the province of New Brunswick.

In Ontario there was a nascent, emerging interest on the part of some in so-called school councils, a parent-teacher association or a school council, school community council, that they might be somehow permitted to have more say in power over the running of a school, which powers would be detracted from and subtracted from not those of the ministry but rather those of the board of education.

In Alberta since 1993 or thereabouts, there has emerged an interest in about a modest but broadish interest on the part of the civic population in what are known as charter schools. And in British Columbia there remains a fairly keen interest on the part of many in the province of British Columbia to spurn the public education system and instead elect to send their children to fee-charging, commercial enterprises, private schools.

To date, and although I am a newcomer to the Education department in this province, I am not a new comer to the province. To date, for the last 20 years there has been almost no citizen interest in this province in charter schools, in private schools, or in doing away with locally elected boards of education or in replacing boards of education with school councils.

And I would attribute that to a couple of things. I spoke 20 minutes ago, Madam Chair, of what I call the — in education at least — the genius of Saskatchewan. The genius of Saskatchewan, in my view, resides in the long-standing, over many years, constructive partnership and mutual respect as among the principal stakeholders and players in the education in this province — the provincial government and the other players.

But really on an almost a co-equal basis, and perhaps we're all partners but the government is a senior partner, and I don't propose to argue that, but we are certainly partners in a way that simply would . . . No public official, no deputy minister of Education would appear before a Public Accounts Committee in any other jurisdiction and I make that assertion and I am proud to be able to do so here.

So part of the reason, I believe, that we have had no such citizen interest is, by and large, Saskatchewan parents and Saskatchewan ratepayers, while they may have criticisms of their school or of their property taxes or of this teacher or that spelling test or whatever, and gosh knows there's a thousand reasons every day to have criticisms, that at the end of day there has simply been no identification of a better alternative.

Secondly, and this is a subjective political observation, small political observation, but I think it's fair-minded, I think that there is long-standing respect in Saskatchewan for the job that locally elected boards of education do. I don't think they are perceived as wasteful; I don't think they're perceived as extravagant nor spendthrift nor inattentive.

You know the largest board of education in Saskatchewan is Regina public with only 24,000 students. Well that is a drop in the bucket in terms of student population to some of the huge ones on the lower mainland of British Columbia or in Montreal or in Toronto or other Ontario cities. And so even our very largest boards of education in this province are sufficiently small so as to . . . they appear to have given the impression or conveyed to their publics, their constituents, that they are in tune with the interests of the community.

The department and the provincial government have not pursued at all any policy option that would in any way change Saskatchewan's historic, very long-standing successful tradition of locally elected, locally accounted boards of education.

Having said that I make this final observation. There is a lot of variety in our public school system. In Saskatoon, St. Goretti School is a Ukrainian-immersion school. In Saskatoon, the Joe Duquette School is an aboriginal school; it is under the auspices of, and all its teachers are employees of, the Saskatoon Roman Catholic St. Paul's separate school board. In Regina we have a Regina Christian School, under the auspices of the Regina Public School Board.

In Battleford, Saskatchewan we have what I think is one of the best examples of the Saskatchewan way of doing things — St. Vital School. St. Vital School is in the town of Battleford. For many, many years, 20 years or so, it was administered by the Battleford public rural school division. It no longer is. For the last two years, it's been administered . . . last year it's been administered by the greater amalgamated Battlefords public



school division. Notwithstanding the fact that it's administered by a public school division and its teachers are employees of the public school division, the St. Vital School in Battleford, Saskatchewan is an episcopally sanctioned, Roman Catholic school. In no province in Canada, other than Saskatchewan, would that exist.

**Mr. Hillson:** — Do you . . .

**Mr. Shillington:** — Madam Chair, I don't want to interrupt the member and I don't want to suggest your questions are out of keeping with anyone else's, Mr. Hillson. We are having difficulty here with the schedule. It's getting to be 2:30 and we are . . . we haven't got around the table.

The questions, while they're relevant to education, are not directly on the work of the committee which is the *Accounts*. And I wonder if we could ask members to curtail the interest I think we all have in pursuing a whole lot of issues which really do not have much to do with the *Accounts*. I think we've all been guilty of doing it. So I'm not being particularly critical of anyone.

I just think we're going to have a terrible time keeping on this schedule if we continue to pursue every issue of interest in every department; the schedule will really be unmanageable. So I wonder, Madam Chair, if you'd care to comment on the questioning which has been going on today? And I think going on over the last . . . in September as well.

**The Chair:** — Actually, yes, I would like to comment on it. I've been reviewing the committee mandate and the operating principles and we looked at them this morning when we were dealing with the issues.

And one of the ones that I looked at quite carefully was the mandate and it says that our committee will evaluate a number of things and one of them is the efficiency, economy, and effectiveness of value for money in implementation of government programs and their achievement of stated goals in the operation and acquisition of goods and services. They also talk about past and committed expenditures insofar as they relate directly to and have an impact on matters with the committed expenditures as well.

So I think it's important that although we keep a time schedule, it's also important that we make sure that members get their questions answered. So I will ask that we make sure we have as precise an answer and questions as possible.

But at the same time I think that this is our one opportunity to make sure that questions are asked in a non-political forum and we can get as many of these issues dealt with as possible.

**Mr. Thomson:** — So may I ask, Madam Chair, do you plan on putting before this committee today the ability to discharge the auditor's recommendations?

**The Chair:** — Yes, I do.

**Mr. Thomson:** — And considering at 2:30 that we were supposed to be moving on to Post-Secondary Education, at what point do you plan on putting these votes to us?

**The Chair:** — When the members have no further questions is when I will be putting these questions forward. All the members of this committee are well aware of the time schedule. They're well aware of what we have to do and yet at the same time they have questions and the responsibility to their constituents to ask questions. So I think . . .

**Mr. Thomson:** — So it now being 2:30 then, your suggestion is . . .

**The Chair:** — My suggestion is that we ask the questions that we have to ask as quickly as possible, but ask the questions they have to ask. And if it means that we have to work a little later or continue on at another time, I guess that'll be it. But I think that right now everybody has questions that are important to them and to their constituents.

So when I'm reviewing the broad mandate of the Public Accounts Committee, I think that there'll be times that you probably will have asked and will ask questions that maybe are not what you might perceive to be something that's in the recommendations at this moment.

Continue, Mr. Hillson.

**Mr. Hillson:** — Thank you, Madam Chair. If I can go to the issue of this split in the department and joint-use facilities — and I guess I should note and I'm very pleased to see that the joint-use facility in North Battleford now appears to be on track, but it does seem to have been delayed from what I can tell by virtue of the split in the department — and the problem that now you're dealing with two departmental budgets rather than one, and while the stated goal of both departments is joint use of facilities, you do not yet have a joint-use budget.

Is that not correct? And what is being done to address how we divide up now and how we fund joint-use facilities, if this is the, say, the stated policy of the two departments?

**Mr. Dotson:** — Well I certainly regret any delay that happened with the North Battleford project. Ms. Boa and I are not aware that . . .

**Mr. Hillson:** — Well it was initially announced for '97; now it's been announced in '98, I guess to occur next year.

**Mr. Dotson:** — There was a delay. I don't believe that any delay had anything to do with the split in departments.

**Mr. Hillson:** — The joint use. Okay.

**Mr. Dotson:** — You are correct, Madam Chair, that . . . the member is correct in observing that the two departments have no common budget for joint-use facilities. That is correct.

For the Department of Education, joint use means a good deal more than just joint use with a regional college as in North Battleford. Tisdale is perhaps the most outstanding example of where, I don't know, there's a lot of partners. The school division was one but there's a lot of other partners in that one.

In the city of Yorkton we have a beautiful, beautiful, brand new elementary school — so new it's not even quite finished yet —

that is a joint-use project as among the Roman Catholic Separate School Division in Yorkton, the public school division in Yorkton, and the city of Yorkton. Three partners there, two of which are school divisions, one of which is the municipality.

Our capital ranking criteria assign . . . we rank all projects according to a public set of criteria — health and safety at the top, space shortages next down, and so on — and if it is a joint-use project it gets extra points. And therefore two projects that would otherwise be of the same merit, the one that is a joint-use project with some other reasonable partner would appear first on that list by virtue of it being a joint use and we allocate and distribute our Department of Education capital monies accordingly.

**Mr. Hillson:** — Yes, I'm aware that priority will be given to joint use, but is there not then automatically the conflicts that arise as to from whose budget is to be found the funds for the joint use?

**Mr. Dotson:** — I think that's now been resolved.

**Mr. Hillson:** — So was the splitting of the department then . . . has that resulted in a streamlining of education services to students or has it created new roadblocks?

**Mr. Dotson:** — I think every education stakeholder in the province from the president's office at the university to the Teachers' Federation, to the colleges of education, to the school divisions themselves would all concur — and I know this — that the splitting of the two departments . . . the one department into two has been a good thing. It has given each individual stakeholder or institution access to their own department and access to their own discrete minister who was on top of their kinds of issues. There's no doubt in my mind it has improved the service to the field.

**Mr. Hillson:** — Now in the accounts . . . in the report itself, there is the statement that the department needs to provide school divisions with the department's expectations. I wonder . . . that may be more a comment for the auditor's department but I'd invite some response here, some statement here, as to what is meant here by the department's expectations not being clear to school divisions.

I would have assumed that it would be clear to school divisions as to what their mandate is and what is required. I see you nodding your head, Mr. Dotson. Don't you see that as a problem? What is actually meant by that statement that school divisions don't know the department's expectations and that more is needed in that regard?

**Mr. Dotson:** — The auditor may wish to comment although I'm pleased to do so. Madam Chair? Would you wish me to comment, Madam Chair?

**The Chair:** — I think you should, yes.

**Mr. Dotson:** — I noted . . . Ms. Ferguson noted at the outset and I commented on this, the auditor's report for 1998 takes a completely different approach to his observation on this point than has been taken in the 1997 report or the report to some previous year. It's an approach which I very strongly endorse

and I'm looking forward to discussing it with your committee.

In the 1998 report, the auditor goes on at some length to talk about first of all the shared responsibility, the fact that the Department of Education . . . the provincial government Department of Education needs to engage in dialogue with all of our partners about how we all are contributing to meet Saskatchewan's goals of education.

Saskatchewan's *Goals of Education* are a published document. They were endorsed by the teachers' federation and trustees' association and the provincial government more than 10 years ago and they remain what our guide is today.

I would hope that the committee might see fit to replace the recommendations no. .21 through no. .24, if it would be thought appropriate in the spirit of what is in the auditor's 1998 report with something along the following lines: that the department should continue working with the locally elected school divisions and other stakeholders to improve public accountability of the school divisions with respect to the goals of education.

If that were thought appropriate, that would certainly be my hope, Madam Chair.

**Mr. Hillson:** — Well I would like to hear from the auditor on what is behind recommendation .21 and your observation on .15.

**Mr. Strelieff:** — Thank you, members and Mr. Hillson. The focus on the paragraphs .15 to .25 . . . in our work at the department at that time we were trying to focus on the information that comes to the Assembly on the performance of school divisions, saying that . . . thinking that department, you're in part responsible for the performance of school divisions and that it's important that the performance information related to school divisions come to the Assembly.

This past year, what we did was look at the work done between the department and the school divisions to determine whether good performance information was being developed and provided to the publics that live within the school boards, school divisions. And we are coming up with a different slant on our recommendations and that is that they are doing a good job of developing performance information, agreement on performance indicators, and we encourage them to continue to do so.

But this one started off with the information going to the Assembly and thinking that that information needs to be improved. So we stepped back a little bit from looking at the information going to the Assembly, and said well let's find out if good performance information is being developed within the school system and found that it is.

**Mr. Hillson:** — Okay. Thank you.

**The Chair:** — Okay. Any further questions?

**Mr. Hillson:** — No, I don't want Mr. Thomson to become impatient with me here.

**Mr. Goohsen:** — Thank you, Madam Chair. I'd like to know, Mr. Dotson, what the long term plan of the department is for maintaining autonomy within the hands of local school boards?

**Mr. Dotson:** — It is the expectation of the Department of Education that school boards in Saskatchewan will retain autonomous global . . .

**Mr. Goohsen:** — In that definition, could you expand on what you mean by autonomy from the department's point of view and could you link that to monetary expenditures and those things that the board makes decisions on?

**Mr. Dotson:** — Yes. In Saskatchewan, currently boards of education have free reign to switch schools, to open, what grades to teach in our schools, which teachers to employ, the number of teachers to employ. The matter is solely under the purview of the board of education and those are not standards on which the board of education or the Department of Education is highly involved in providing direction. It is our expectations that those autonomies of boards of education will be used.

At the current time, and it's been the case for many years, it is the responsibility of boards of education — not the minister and not the government and not the department — to decide which school in a school division a youngster shall attend and which bus, if any, shall pick the child up and at what time, and further, what route the bus shall take between the home of the child and the school that the child attends. Those matters are currently solely within the ambient purview of the local elected board of education. It would be our expectation that that will not change, for example.

**Mr. Goohsen:** — Thank you. So basically what you're saying is that anything that has to do with the operation other than the decision of how much money will be spent on each one of those things can remain in the hands of the school board. But the cost of the teachers, their salaries, the cost of all related salaries becomes fixed through mutual agreement as . . . in a general sense. And therefore, in your definition autonomy amounts to physical decisions, not financial decisions.

**Mr. Dotson:** — I would not, Madam Chair, I would not agree entirely with the characterization. The . . . as the auditor's report correctly points out, for 25 years or so in Saskatchewan we have had province-wide teacher bargaining. The Education Act has been quite clear on this point since 1972 or 1973. The bargaining set out in the statute, the two bargaining committees are comprised thus: on the one side of the table is the representative of the Saskatchewan Teachers' Federation, and on the other side of the table is the management team comprised of five persons nominated and appointed by the Lieutenant Governor in Council and a further four persons nominated by the Saskatchewan School Trustees Association. Those nine bargain with the province's teachers.

We thus have the following circumstance. In a board of education where the provincial government provides 80 per cent or 90 per cent or in some cases 100 per cent of the funding of the board's affairs — up to 100 per cent of the operating expenditures of the board of education borne by the province — nevertheless the SSTA (Saskatchewan School Trustees

Association) has four persons on the committee that bargains with that board's teachers.

In other cases where the provincial government provides as little as zero per cent of the annual operating expenditure of the board of education, the SSTA has four and the provincial government has five on the team that bargains with those teachers on the province-wide agreement because it's the same team.

Boards of education have sole and exclusive responsibility with respect to bargaining all local matters not covered by the provincial agreement. And they have sole and exclusive responsibility. It is none of our business in government. It is none of our business in the department.

And we have never asked or been asked to intervene, and we get almost no correspondence on this matter to deal with their non-teaching staff — be they CUPE (Canadian Union of Public Employees) members, SEIU (Service Employees International Union) members or unorganized bus drivers, custodial staff, teaching assistants, library technicians, and so on. Those staff are solely under the ambit and control of the board of education.

**Mr. Goohsen:** — It has been my experience to visit with all of the school boards in my constituency. And they always tell me that all of those areas that you've just mentioned that they are allowed to negotiate independently are, for the sake of being able to coexist in the community on a peaceful basis, they are always attached to the guidelines that have been outlined in the negotiations and settlements that the province has made with regards to teachers.

And so in fact, even though there are on paper some legal availabilities to school boards to change or to negotiate with janitors, for example, their rate of scales and things like that, or with the school unit secretaries, the reality is that in order to live with those people they tie all of their settlements and all of their wage guidelines to the guidelines that the province has settled. So they really don't have anything that they're settling in those areas.

They also tell me that they really don't handle any part of the budget except for about 7 per cent of the total budget which, even in terms of that 7 per cent, they don't really have a say altogether because say if that 7 per cent is in the areas of sports programs and the band programs, pretty much, and some school units of course choose to fund some of those programs, while others say that the parents have to do it extra and on the side.

So in reality what the boards have been telling me is that they have very little true economy to begin with.

And when I take that into account and also listen to your explanations today, I find it very difficult to understand what the auditor would be expecting the school divisions to report back because in fact they have very little room to make any decisions that are meaningful or that anybody would really find of very much interest.

Seven per cent of the budget that goes into running the band program or the local football program probably isn't something that the legislature is going to be able to make an intelligent

decision on — whether or not Lumsden, for example, needs a band program or if Eastend happens to need a football program.

And so what are we asking the school divisions to report on that is of any substance?

**The Chair:** — I'll pass your question to the Provincial Auditor?

**Mr. Goohsen:** — Anybody that wants to answer it.

**The Chair:** — I'll ask Ms. Ferguson.

**Ms. Ferguson:** — Honourable members, I'll attempt to answer that. I guess what we recognize is that the department does have very broad responsibilities, and one of the responsibilities includes the setting of the curriculum. And the school division is responsible for the delivery of that curriculum. And that's a very important responsibility because that affects the overall, really the quality of the education, and it's the integral part of what our children learn.

What we are expecting, I guess, when we're referring to the responsibilities — and expectations need to be defined — is that we recognize that the department does set the curriculum, you know, and we recognize that the school divisions are responsible for delivery of that curriculum.

We think that it is appropriate, given that they are funded out of the public purse in terms of both the funding from the General Revenue Fund and property taxes, that school divisions report on the delivery of the curriculum, you know. It's a very important responsibility that they are fulfilling for us in our society.

Does that . . .

**Mr. Goohsen:** — I'd like to follow up a little bit. If in fact what you say is the direction that we want to go, then could you tell me, without universal testing, how could we as legislators make a determination as to whether or not the delivery of the programs was in fact good or bad or indifferent if it's received through a report that will be delivered by the individual school divisions? How could we have a measure to find out that that is in fact a good one and this one, another one, is a bad one?

**Ms. Ferguson:** — I'll actually defer that question I think more appropriately to the officials on the department. I don't profess to be an expert in Education. I'll do . . . perhaps turn your attention to the indicators program which does enter into that.

**Mr. Dotson:** — It is because of questions such as those, Madam Chair, that I have been much more pleased with the 1998 auditor's report approach to our department, partly because it leaves out the recommendation that's now being discussed, number .21. And it's in that spirit that I expressed my desire or my hope a moment ago that members might see fit to replace recommendations .21 through .24 with some wording more in tune with I think what is Ms. Ferguson's and Mr. Strelioff's more current thinking.

With respect to expectations, we not only expect, we require a minimum of 24 credits to graduate from high school. The

youngster from Maple Creek high school is not permitted to graduate with a Saskatchewan matriculation if he does not have 24 credits. That expectation, there was no doubt about it. We've written it down. We mailed it out. Everybody knows.

You might include biology 30 or physics 30 in your high school program. A school division doesn't need to offer that course. They may choose to offer that course and there's a whole range of courses that they may choose to offer in the sciences, in the arts, in the industrial arts for example, that they need not offer. Their choice is to hire the teacher to teach physics or hire the teacher to teach band or hire the teachers to teach choral music or not.

And if they teach choral music or if they teach physics, we expect them to teach our curriculum to our standards and their youngster will get a credit for it if he passes the course. There is no requirement that every high school in Saskatchewan teach physics 30, and in some years some of them don't.

**The Chair:** — Mr. Goohsen, before we carry on, can I just remind you that part of our mandate also is that we're not concerned with matters of policy, so we have to make sure we're not . . . like we're not asking these department officials to change policy right now; we're asking then to deal with recommendations and that kind of thing.

**Mr. Goohsen:** — Well thank you, Madam Chair. I'm trying to find out how the recommendation of the auditor, that the department should provide school divisions with the department's expectations, how delivering that back to the legislature is in fact going to solve whatever problem the auditor thinks there is in our system.

So I'm wanting to know exactly about the auditor's recommendations in my line of questioning. Because I think what we're doing here is providing the individual school units with the necessity of preparing a very expensive and complicated report that no one in the legislative process would really be able to use to better the system.

Now if somebody can show me where it will better the system, then I'd be quite happy to go along with it. But I won't belabour it; I think it's sufficient that I've raised my concern, and certainly your point that we should get on is well taken.

And I have a question in a different area before I let someone else go, if you don't mind.

**The Chair:** — Okay.

**Mr. Goohsen:** — I'm just wondering about the settlement that we made through legislation with Power workers in recent weeks. We've legislated Power workers back to work. Have you now plans to build into the Department of Education costs escalating along those lines?

**Mr. Dotson:** — No.

**Mr. Goohsen:** — That's all my questions.

**The Chair:** — Are there any further questions? Okay, we'll deal with the recommendations. Recommendations starting with

.21 to .24. I think that the deputy minister had a suggestion, although from listening to the auditor's department I understand there was sort of progress towards compliance with these.

**Mr. Shillington:** — Yes. This, when I read this, this appeared to me to infringe upon . . . Perhaps I don't understand the culture of the school divisions, but it struck me that this might infringe upon their autonomy.

They do go get elected every three years I think it is; they are responsible to the . . . I was going to say ratepayers; it's actually the electors. And to ask them to hold themselves accountable to the provincial government, be a little akin to asking the provincial government to hold itself accountable to the federal government for the grants we receive.

And so I actually had some concerns about these and I was . . . I mean, I know the deputy minister commented on them when Mr. Gantefer was . . . but perhaps you could do so again in a very direct way.

**Mr. Dotson:** — I share the concern that the member has raised; I share the concern for the reason in which he has raised it. The Government of Canada provides to seven provinces and has provided to approximately seven provinces for many, many, many, many years, 30-odd years, equalization payments enshrined in the Constitution of Canada, the federal equalization program.

Those equalization monies that come to Saskatchewan, Manitoba, Nova Scotia, New Brunswick, and other provinces are provided without string, condition, or any other report back. And that is because, in my understanding, the Constitution of Canada sets aside a senior government, the federal Government of Canada, somewhat less senior governments, governments of the provinces, and the way we run our federation — our Confederation — is that the Government of Canada has undertaken on an equalizing, no strings attached basis to provide equalization monies to the so called have-not provinces.

In Saskatchewan The Education Act, 1995 has set out a senior partner, the Government of Saskatchewan and the minister and the department, it has set out in law the duties, powers, and responsibilities of locally elected boards of education. The funding regime which Saskatchewan has had for 20-odd years is to provide whatever proportion the Legislative Assembly, whatever size of the pot, the Legislative Assembly sees fit to appropriate for grants to education, to provide it only to boards on a needs-equalized, have-not-boards-get-it, the rich-boards-don't-get-it, basis.

Analogously, to the member's comment, it would be my hope, Madam Chair, that — and I think my suggestion is in keeping with the approach that Ms. Ferguson and Mr. Strelloff indicated is manifest in the 1998 report — that numbers .21 to .24, members might see fit to replace those with something worded differently.

**Mr. Whitmore:** — Yes, thank you, Madam Chair. In light of the changes that have taken place, noting the progress that has taken place and we haven't seen that new report — it's coming but certainly with the words that were quoted that it's going along very well — that I would move this motion:

That the Public Accounts Committee recommend the Department of Education should continue working with the locally elected school boards and other stakeholders to improve public accountability of the school divisions with respect to the goals of education.

I so move.

**Mr. Shillington:** — It leaves it open to the department — if I may speak to it — leaves it open to the department to work with the school board to determine to whom and in what manner they be accountable rather than the existing recommendation which would have them accountable to the provincial department, which I think might offend their sense of autonomy. So I'd like this resolution better if it leaves the departments and the school boards with a greater scope in working out how that accountability takes place.

**The Chair:** — Any comments on the motion? Will you take the motion as read? Those in favour of this motion? Those opposed? Okay the motion is carried. So that deals with recommendations .21, .22, .23, .24.

We have recommendation .33:

The department should require school divisions to prepare their financial statements following the standards recommended by the CICA.

**Mr. Whitmore:** — I would move concurrence with the Provincial Auditor on this.

**The Chair:** — Concurrence. Those in favour? Opposed? Okay. Recommendation .39:

The department should ensure grants are calculated according to regulations.

That was compliance? Agreed? And I think recommendations .52 and .53 is also compliance. Agreed? The compliance.

And .57, I think there was progress towards compliance. Agreed? Okay.

**Mr. Hillson:** — I have a question regarding .57, Madam Chair. Is this relating to the pre-'78 pensions or the post-'78 pensions?

**Mr. McLaughlin:** — I'm sorry, pre-'78?

**Mr. Hillson:** — Yes.

**Mr. McLaughlin:** — This is the old plan, it's actually pre-'80.

**Mr. Hillson:** — So what work has been done to . . . what is the ongoing unfunded liability of the province for the old plan?

**Mr. McLaughlin:** — Right now, as of June 30, 1997, it was \$1.978 billion.

**Mr. Hillson:** — So \$2 billion is the unfunded liability?

**Mr. McLaughlin:** — Yes.

**Mr. Hillson:** — And how much a year does that work out to for say the next 10 years?

**Mr. McLaughlin:** — Well, it varies over the next 30 years.

**Mr. Hillson:** — Yes, I realize that. Is it still going up?

**Mr. McLaughlin:** — It is still going up, yes. The actual costs to providing a benefit does not keep pace with the contributions that are being put into the fund for current service. If one were to look at the actual cost over the coming years in constant 1997 dollars, the maximum draw on the General Revenue Fund is about \$167 million around the year 2015.

**Mr. Hillson:** — That's when it will peak?

**Mr. McLaughlin:** — That's when it will peak.

**Mr. Hillson:** — At two thousand and . . .

**Mr. McLaughlin:** — 2015.

**Mr. Hillson:** — 2015 is when it will peak?

**Mr. McLaughlin:** — Yes.

**Mr. Hillson:** — And will then decline after that.

**Mr. McLaughlin:** — And then it will decline. As membership dies it will decline and it will be back to about \$100 million in the year 2029.

**Mr. Hillson:** — Okay. Thank you. Thank you, Madam Chair.

**The Chair:** — If there's no further questions, I'd like to thank the department staff. I appreciate your time today. And I know that we are behind and I think we'll just have a short recess of about five minutes to allow a change of staff.

And I do want to thank the member for reminding all of us that of course we have a schedule to keep. And I guess maybe where we went wrong this morning was not allowing enough time for some of the departments, or else not limiting or realizing the time along with questions.

**Mr. Whitmore:** — I have to catch a plane at a little after 5 today and I wonder if it would be possible for the committee to adjourn 10 minutes early — 10 to 5 rather than 5 o'clock — if it's the agreement of the committee.

**An Hon. Member:** — We'll try to move it along.

**The Chair:** — Okay.

**Mr. Shillington:** — I think to some extent we should regard Agriculture as an exception. It is an exceptional problem. But I'd like to think with respect to the rest of the departments we try to keep to schedule and try to be courteous of each other. If one person uses all the time then there's nothing left for anyone else. I made my comments not to be critical of anyone, and certainly not Mr. Hillson who was speaking, but in an effort to encourage each to be courteous and thoughtful of the other.

**Mr. Thomson:** — I must say, as one of the people who's raised the concern in the past about this, I wonder if at some point we shouldn't consider our operating rules and think about discharging the auditor's report as the first item of business and then pursuing general discussion afterwards. I have no objection to pursuing general discussion but I am interested in us not falling behind in doing our duties. That's probably a discussion we should have at some . . . perhaps later on this week, but I would certainly be prepared to move a motion to that effect.

**The Chair:** — I think it's something we should discuss later on. So the members are all . . .

### Public Hearing: Department of Post-Secondary Education and Skills Training

**The Chair:** — We do very much appreciate your patience. I'm sure that you were very patient out there waiting for us. We will try to move along quickly. And to get started, I'd like you to introduce the staff with you today.

**Mr. Alecxe:** — I'm Ken Alecxe, associate deputy minister for Post-Secondary Education and Skills Training. To my left is Lily Stonehouse, assistant deputy minister. To her left is Brady Salloum, executive director of student financial assistance. And to my right is Mae Boa, executive director of finance and administration.

**The Chair:** — The Provincial Auditor doesn't have new officials with him so I'll move along to the statement for witnesses.

Witnesses should be aware that when appearing before a legislative committee your testimony is entitled to have the protection of parliamentary privilege. The evidence you provide to this committee cannot be used against you as a subject of civil action.

In addition, I wish to advise you that you are protected by section 13 of the Canadian Charter of Rights and Freedoms which provides that:

A witness who testifies in any proceedings has the right not to have any incriminating evidence so given used to incriminate that witness in any other proceedings, except in a prosecution for perjury or for the giving of contradictory evidence.

A witness must answer all the questions put forth by the committee. Where a member of the committee requests written information of the department, I ask that 15 copies be submitted to the Clerk, who will distribute the document and record it as tabled. And please address all your comments to the chair.

So I'll ask the Provincial Auditor and his officials to go through their recommendations for Post-Secondary Education and Skills Training before I ask for comments from the department.

**Mr. Strelloff:** — Thank you, Madam Chair. I'm going to turn it over once again to Judy Ferguson. Judy.

**Ms. Ferguson:** — Thank you, Wayne. Madam Chair, members and officials. In this case we are dealing with two chapters. It's

chapter 19 of the *1997 Fall Report* and chapter 15 of our *1998 Fall Report*. I'm going to deal with the *1997 Fall Report* first, the chapter 19 first. I think it's actually second in your package that you've been provided.

Again, I'd like to draw to the members' attention the variety of special purpose funds and agencies that fall under the purview of the department of post-secondary education, and that is listed on page 173, paragraph .04. You will find that it's the number of the regional colleges, which I'm sure the members are familiar with.

In addition to that there's a private vocational schools training completion fund, SIAST, and student aid fund. And, in addition, the Saskatchewan Communications Network that should be listed there. In addition to those we have the two universities that operate within the province — the University of Saskatchewan, and the University of Regina. So as you can appreciate the responsibilities and the breadth of the department is quite broad and wide.

Chapter 19 deals with the funds that are listed in paragraph .04. And we report that the financial statements of these funds are reliable except for the work that we haven't completed, and that work was actually reported in our spring report, and I'll deal with that shortly. We also report that the rules and procedures are adequate with a few exceptions again, which I'll elaborate, and the same with compliance with the law that there is a few exceptions.

This report, in addition to the report of the department, includes the findings for student aid fund and the Saskatchewan Indian Regional College.

So moving into the report itself, the findings itself, Madam Chair and members of the committee. To ensure universities properly safeguard and spend money, the department needs to provide the universities with its expectations. To ensure money appropriated for the universities is properly safeguarded and spent, the department needs to set out what it expects the universities to do with the public money it gives them. It also needs to know how well the universities meet those expectations and report results to the Assembly. To ensure there's no misunderstanding, the department should provide the universities with its expectations and accountability requirements.

Currently the department receives audited financial statements from the universities, and we recognize that the financial statements by themselves are not sufficient to know if the universities are meeting the department's expectations. In December of '96 your department considered this matter and concurred with our recommendations.

We note that there has been a lot of discussion and dialogue between the department and the university and there's been a lot of activity — the MacKay report, the DesRosiers reviews, and that discussions are currently under way. At this time they aren't at a point to comply with the recommendations that we have made, but we are looking forward to progress in this area.

In paragraphs .21 to .23 of our report, we deal with the student aid fund and we provide you with some background

information about the fund and our opinions.

In paragraphs .24 to .35, we report the department needs to verify critical information on student loan applications. The department must ensure only eligible applicants receive aid and in the correct amounts while remaining responsive to applicants' financial needs.

We recognize that there is a balance that has to occur to achieve that. But to do so the department needs to verify that the applicants, that they are students, and to verify their actual financial status.

Currently, insufficient, inadequate resources limit the department's ability to verify the information provided by the applicants before dispersing loans. Therefore the department sometimes grants loans in amounts greater than the law permits.

The department monitors the extent of an ineligible loan by doing certain procedures after the loans are approved. However the department, during this audit, has not adequately verified critical information for loan eligibility using a statistical sound method.

Subsequently to our report the department did audit the '95-96 study term and we have not yet completed our work on the work done by the department, and we will report the results for finding in a future report.

In paragraphs .36 to .44 of chapter 19 we report the trustees need to administer the operations. For your information the student aid fund has a group called trustees which help manage the fund. To administer the fund the trustees need to meet regularly and review financial reports. We saw no evidence that the trustees met during the '96-97 fiscal year.

To properly administer the funds the trustees must tell management what performance they expect and receive reports comparing what management did with what the trustees expected. As previously indicated, we have not yet finished our audit of the student aid fund for '97-98 so we were unable to report on the progress with respect to that recommendation.

In paragraphs .45 to .54 we report a lack of authority to limit interest write-down grants. Your committee has previously considered this recommendation in December of '96 and concurred with the cabinet decision that the department may deal with any student who received a loan in 1986 and '87 and who requests a review of their repayment on a case-by-case basis.

Moving away from student aid fund and into New Careers Corporation, we note that the financial statements of New Careers are reliable. And with respect to the adequacy of internal controls, we look for them to improve upon their internal financial reports. We note that from our current 1998 audit that this area has been improved and that the internal reporting of the New Careers Corporation has corrected the problem previously reported.

The second reportable item that we make for New Careers is that they improve their service agreements with agencies delivering services for the corporation. We note that New

Careers is in a wind-down mode and the relevancy of this recommendation is diminished due to the changing circumstances in the corporation.

Moving from New Careers Corporation to Saskatchewan Indian Regional College, we note that the financial statements of the college are reliable and we also make a recommendation that the board should establish written governance policies and ensure senior management has provided adequate direction to safeguard and control the college's assets.

That concludes the findings for chapter 19, and what I'll do is, I'll move right into chapter 15 at this point in time. You'll find that chapter 15, which is in our *1998 Spring Report*, focuses on the findings of regional colleges and basically it completes our audit work for the 1997 year.

In this report, we report that the regional colleges' financial statements for June 30, 1997 are reliable, that the colleges have adequate rules and procedures, except for the exceptions noted that I'll bring to your attention, and again that the colleges comply with the law with the exceptions noted, once again that I'll bring to your attention.

In paragraphs .15 to .19 of this report we make a recommendation that ... we report that the boards of directors for colleges need better information to monitor the colleges' performance. The directors should receive reports that show whether the services provided achieve the intended outcomes. In our '97 spring report, we made recommendations related to improving the performance reports the directors used to monitor the colleges' performance.

In this report, we note progress the colleges are making in this area. We also note that many directors have developed goals and objectives for the colleges during their strategic planning processes and that they've developed a performance reporting policy. We think the policy is appropriate.

The colleges are still working on developing performance reports that are able to measure the progress of the colleges in meeting their objectives. We encourage the colleges to continue refining their strategic planning and performance monitoring practices.

And we also note that within the last fiscal year that the department has provided the college with a updated manual, regional colleges manual, that clearly suggests that they follow the goals and objectives of the training strategy and provides them with sound guidance in the planning processes, the strategic planning and budget setting processes. And we acknowledge the progress of the department in that area.

In paragraphs .20 to .24, we report that colleges need written and tested contingency plans to ensure they can operate effectively in the case of major loss or destruction of the computer systems.

Many colleges are dependent upon their computer systems. To provide continuous services the college must ensure that their systems and data are available when needed, and if they are not, the colleges may miss commitments, delay decisions, or lose essential data. This increases service costs and may weaken

public confidence in the colleges.

In the chapter we provide guidance on what contingency plans include and we recommend the colleges should prepare, test, and approve a written contingency plan. I'm unable to report as to if there is any status on this recommendation since we are not yet complete, our audits of the regional colleges.

In paragraphs .25 to .31, we report that the college of ... the Southeast College did not keep adequate records for its capital assets. To safeguard and control its capital assets, this college needs to keep adequate records. The college should reconcile its capital assets to its financial records regularly and examine the capital assets to verify their existence.

The college didn't reconcile its capital asset records to financial records nor periodically examine the assets. Again I'm unable to report on the status of this recommendation since we are not yet complete our audit of Southeast.

The last section in the report deals with Saskatchewan Indian Regional College. For this college we report that the financial statements are reliable and that the college had adequate rules and procedures to safeguard and control its assets with an exception, and again that the college complied with the law with an exception.

In paragraphs .37 to .44 we described instances where they didn't meet the requirements of The Regional Colleges Act. We reported this matter in our *1997 Fall Report* and in previous reports. In February of 1998 your committee considered our recommendations and concurred with the qualification that there are outstanding compliance issues because of federal government funding and the Federation of Saskatchewan Indian Nations' management.

We continue to recommend the college should comply with The Regional Colleges Act or the department should propose changes to the Act to exempt the college from the requirements of the Act.

In paragraphs .46 to .54, we report that the board needs written governance policies setting out what they expect from management. To fulfil its responsibilities, directors need to establish and communicate policies. The policies should describe how things should be done and prohibit inappropriate actions. Written policies provide for timely and efficient conduct of business and reinforce directors' delegations of authority and responsibilities for all employees.

We recommended the board of education should establish written governance policies and that they should ensure senior management has provided adequate direction to staff to safeguard and control these assets.

On February of 1998 your committee considered these recommendations and again concurred with the qualification that they're outstanding compliance issues because of federal government funding and the FSIN's (Federation of Saskatchewan Indian Nations) management.

In paragraph .55 we reported an instance to yourselves. We report that the college paid \$15,000 to the Saskatchewan Indian



Training Assessment Group to cover the pay and expenses of the SITAG's board of directors.

We were unable to determine if these payments were for educational purposes.

In addition, we report the college does not publish a list of persons who received public money from the college and the amounts that they received in compliance with the recommendation of this committee. We think that public accountability would be strengthened if the college would provide this information. This way the Assembly and the public, including members of first nations, could review the use of money by the college.

Again, your committee considered our recommendations on February 17, 1998 and concurred with the same qualification that there are outstanding compliance issues because of federal government funding and the FSIN's management. And that concludes the matters that are raised in these two chapters. Thank you.

**The Chair:** — Thank you. And I'll ask the deputy minister if he has some comments on the auditor's recommendation before we go to the members?

**Mr. Alecx:** — At your pleasure, Madam Chair, we can either respond in turn to the whole sequence of recommendations or we can await your open question.

**The Chair:** — We'll go ahead then.

**Mr. Gantefer:** — Thank you, Madam Chair. I would like to focus on the regional college and a couple of issues coming out of that. First of all, it's my understanding that there is some labour problems at some of the regional colleges at this time and the process is underway. Could you please update us as to the status of that issue?

**Ms. Stonehouse:** — Six regional colleges in the southern part of Saskatchewan negotiate together and they are currently in negotiations for the '97 to 2000 collective agreement. My last report on the negotiations is that things are going very well.

**Mr. Gantefer:** — And it's for the period '97 to 2000, is there not outstanding issues about catching up to the northern college or is that strictly part of the '97 to 2000 negotiations?

**Ms. Stonehouse:** — One of the issues the union is bringing forward is a desire to have equal pay to those employees in Northlands College who are doing same function.

**Mr. Gantefer:** — So it's being rolled into the '97 to 2000 negotiations then — that issue?

**Ms. Stonehouse:** — It's been discussed at the table.

**Mr. Gantefer:** — Okay, thank you. The other issue that I would like an update on, and it follows in the Saskatchewan Indian Regional College, where I note there's a number of Provincial Auditor's recommendations. And the report from the Public Accounts Committee said that while there was concurrence, there was a qualification because of outstanding

issues between the federal government funding and FSIN's management. Can you update us on the status of that in terms of . . . has there been any change in those circumstances?

**Ms. Stonehouse:** — Well just broadly speaking, SIIT (Saskatchewan Indian Institute of Technologies) or the Saskatchewan Indian Regional College, continues to receive its funding from the federal government, the province. Our department does not fund it. Recently the college made a decision to move away from a partnership with SIAST, which was a means by which it could get provincially certified training. We are in discussion with the college and with SIAST with respect to a sort of bringing back a cohesive partnership around those issues so that students can receive training which is certified provincially.

**Mr. Gantefer:** — In respect to the auditor's recommendation, and perhaps this question is to the auditor's office, are we at an impasse in terms of where these recommendations are going? And are we going to be forced to be in a position that all we do is update the date on which the standing committee deals with the issue and it comes back in subsequent reports indefinitely?

**Ms. Ferguson:** — I think if I may speak to it here, members and officials. I guess where we are at from our perspective, one of our roles is to ensure that we report instances of non-compliance with the law.

In this case, the Saskatchewan Indian regional college falls under the purview of The Regional Colleges Act. And we feel obligated to draw to the attention of the members the situation where they aren't complying with the letter of The Regional Colleges Act.

I think the recommendation that we've made basically is a prudent recommendation that as members of the Assembly, you know, are you looking towards the organization to comply with the law or, perhaps, exempt them from requiring compliance with the law.

So we think it is a very important issue and I think the key issue is the certification aspect. If the department is expected to provide certification, which is what happens under The Regional Colleges Act, or not.

**Mr. Gantefer:** — What I'm trying to find here is a way to have the concerns that the Provincial Auditor raises dealt with in a pragmatic sense. We either, it sounds like, have this constant reminder that the current situation is not complying with The Regional Colleges Act as specified . . . we either then have to find a way of getting that compliance to happen, which seems unlikely, or to propose changes in a legislative sense to the Act.

Is the department considering making recommendations to the Assembly to make proposed changes to the legislation perhaps then?

**Ms. Stonehouse:** — We've been prepared for a number of years to make the legislative changes. The difficulty has been to get agreement with the college itself and with FSIN on the nature of those changes.

I think some of the recent events in terms of the partnership with SIAST have raised the urgency with FSIN for this issue. And we may in fact now be seeing the situation where they're prepared to focus on what it is they want here. And I'm hopeful that that means we'll make some progress, but I'm unclear how quickly that will take place.

**Mr. Gantefer:** — Thank you. Briefly we talked in the K to 12 program about the capital infrastructure — the buildings, the physical resources whereby the education plan is delivered in Saskatchewan and their mandate. Could you update us as well of what the status is in the infrastructure in the post-secondary and skills training area?

And I'm thinking with some focus on perhaps the concern at the University of Saskatchewan, particularly. University of Regina is a much newer facility generally, but the University of Saskatchewan seems to be indicating there's some concerns about rehabilitation and replacement of capital.

**Mr. Alecxe:** — University of Saskatchewan has requested . . . has put forward a proposal for \$81 million in capital infrastructure covering three buildings — Thorvaldson building; the physical education building which would be a kinesiology building; and the heritage building that's attached to the administration building called Convocation Hall.

The proposal at this time by the university that they are floating is to go to the market for a potential borrowing for those funds. At the same time they are requesting whatever project-driven funding might be available from the province. That consideration is in the current budget cycle.

**Mr. Gantefer:** — Thank you. And finally in your regional colleges there have been projects that have been co-operative type of projects. And I look in my area of the Tisdale experience and Melfort experience with the composite collegiate there and things of that nature, and I think they have been very, very positive initiatives and very positive results in the communities.

Has the department gone in large measure to get these things in place on the regional college levels or is there still a lot of work to do, or what's the status in terms of supplying the physical requirements for the regional colleges?

**Ms. Stonehouse:** — Where there's an ongoing program need for the colleges and where there's space in a local high school, we believe this kind of joint-use project makes good sense. In some cases it requires significant renovation and in other cases school boards are considering new schools. And in those situations some kind of joint planning upfront is encouraged. The difficulty for us is a question of resourcing and therefore needing to prioritize projects and deal with them as we're able.

**Mr. Gantefer:** — Thank you, Madam Chair.

**The Chair:** — Any other members have questions?

**Mr. Shillington:** — I think that with respect to the Indian regional colleges and I guess the Indian Federated College, it is just a matter of being patient and trying to work the problems through and reach an agreement. Is that an accurate summary

— that we are working on these matters and it just takes patience to work it through with the three, with the feds and the FSIN, all, without being pejorative, complicating the problem?

**Ms. Stonehouse:** — I think that is the nature of it. It's an issue for FSIN of determining how it wishes to govern what it would call its own institutions and what relationship it wishes those institutions to have with the provincial system.

These are complex issues. The FSIN is very conscious of the need not to disadvantage students and are looking for a vehicle that allows them to direct their own institutions and yet have them tied well enough to the provincial system that students won't be disadvantaged by their certification.

**Mr. Shillington:** — If I can just be allowed a comment. To use a phrase that we became very fond of in Crown corporations, this seems to me to be a work in progress. It is part I think of the emerging into self-government, and at one level it's something we all endorse and want. It means that they will be taking responsibility for themselves and their own affairs, and I think that's all to the good. Only good can come of it.

But it is a very complicated process and it is a work in progress. It is taking them time. It is taking them and us time to figure out exactly what that's going to look like. And I think we make a mistake in being impatient with it. I think it's in the interests of all concerned to be patient, let the process evolve. And I'm satisfied if we are patient, the structure that will emerge will provide a much better set of institutions for aboriginal people and will serve all of society much better if we are patient with it. So I just make that comment. If you have a follow-up comment that's fine, but it's really just a comment.

**Ms. Stonehouse:** — I agree.

**Mr. Hillson:** — I'm aware from my discussions too that some of the aboriginal leadership considers it an autonomy. But there's also obviously the issue of the value of the certificate the student receives. And if that certificate is not universally recognized then the value of the training is called into question, is it not?

**Ms. Stonehouse:** — That's correct.

**Mr. Hillson:** — So hopefully the aboriginal leadership will see themselves that recognition of qualifications is essential from the standpoint of the student good.

**Ms. Stonehouse:** — That's correct. Now for the aboriginal people in this instance, they can create their own institution with its own certification, and then promote that certificate to the employer community and/or they can arrange for credit transfer between their institution and provincial institutions in terms of recognition of their certificate. And it really is, it is a complex issue for them to come to terms with how they want to proceed.

**Mr. Hillson:** — But to the leadership it's an autonomy issue.

**Ms. Stonehouse:** — It's very much related to self-government, yes. And in this case Indian control of Indian education, as we used to hear in the 1970s, is very much the issue here.

**Mr. Hillson:** — Paragraph 24, may I ask what . . . You know, already we've heard the comment that we don't know what's been done in regard to compliance. What is done when this report is prepared — and perhaps this is a question for the auditor's office — to make sure that the affected agency is aware of the recommendation? In this case we're sort of one or two steps removed. We're down to the local regional colleges that this is a recommendation directed at. What is done to make sure that the regional colleges are made aware that this is your comment?

**Ms. Ferguson:** — If I could respond to that. We work with the appointed auditors on the audits of the regional colleges. They do receive a report that does reflect what's in the report that's provided to you so they are made aware very directly. We actually, ourselves, and the appointed auditors, we meet with the boards of the individual regional colleges and discuss the findings that we have as a result of each audit. So they are aware of the recommendations that are being made here.

The reason that we are unable to report on progress is that we're not yet done the work at the regional colleges for the June 30, 1998. And so it's just more or less a timing concern at this point in time that we are unable to report on the progress because we are not complete in our audit work.

**Mr. Hillson:** — Right. But in any event board members know that you have said this?

**Ms. Ferguson:** — Oh, yes. Very much so.

**Ms. Stonehouse:** — Yes, I can report the board members are very aware of this. All three colleges have developed contingency plans, and two of them, Cypress Hills and North West are completing their testing of it. Parkland is still testing their contingency plan and all three are looking forward to the Provincial Auditor's next visit in terms of advice they might receive on those plans.

**Mr. Hillson:** — Thank you. Where are we on the DesRosiers report?

**Mr. Alecxe:** — Well the DesRosiers report has been finalized and released. It is now being reviewed by the university communities and we are starting to develop a series of task groups with the two universities which will review what parts of DesRosiers might be implemented within the next couple of years.

The inter-university consultation committee will be meeting December 9 and reviewing that group of task groups arising from the most recent meeting of the university co-ordinating committee chaired by Dan Perrins, deputy minister of this department, and it also has the two presidents on that committee. That is the latest view.

The DesRosiers report was a compilation of a year-long process, 18-month process actually, with the two universities at the table every step of the way defining every element of Edward DesRosiers' study and both universities and the department now have that report under review.

**Mr. Hillson:** — Under student loans, can you tell me if there is

a problem with default and how Saskatchewan would stack up against other provinces in that regard?

**Mr. Alecxe:** — Perhaps I can ask Mr. Salloum to answer that question.

**Mr. Salloum:** — Thank you. Default — that's a very complicated issue but I'll try and explain it as best I can. Default occurs when a student doesn't repay their student loan and our experience with that in Saskatchewan has been that it's fairly . . . the variables from province to province are about the same and the default issue from province to province is about the same.

That being said, the Royal Bank is the lender in Saskatchewan and the province pays a 5 per cent risk premium on loans. And if the loan loss is higher than that it's the bank's responsibility to cover those losses.

**Mr. Hillson:** — You're saying though that your information is that Saskatchewan does not have a greater problem than other provinces then?

**Mr. Salloum:** — In fact the Royal Bank has said that our default statistics are better than other provinces but that may just be because we're very early into that relationship.

**Mr. Hillson:** — Now I know you discussed this already but I'm sorry I wasn't clear from your answer. The capital projects being undertaken at University of Saskatchewan — there is the issue as to whether or not the loans will be guaranteed by the province or whether they will strictly be financed by the university, in which case I understand there will be increased financing charges. Now has there been a final determination made as to whether or not the loans will be underwritten by the province of Saskatchewan?

**Mr. Alecxe:** — At this point although it's still subject to finalization in the budget process, at this point we do not have the authority to guarantee any loans for the university. But we are able to consider project financing and that is what is under consideration. What has been also given to the universities at this time is leave to look at financing options which they are doing.

**Mr. Hillson:** — However, as I understand it there will be significantly higher costs of financing if the guarantee is only from the university and not from the province so that ultimately the projects will cost more.

**Mr. Alecxe:** — It depends upon what . . . again, it's a complicated issue but it depends upon . . . What kind of comfort letter they can be given will affect the number of basis points as many as 20. So it could end up costing probably on the outside a hundred thousand dollars. It could cost less if they have to go to market.

**Mr. Hillson:** — But I am told . . . And perhaps this question is now for the auditors. But there are . . . It's not just the 20 basis points but the fact that the university would also have to be rated, which of course the province is already rated. And that there are a number of other additional costs that arise if the university has to float the debenture itself. Is that, is that correct

... that there are significant additional costs if the province of Saskatchewan does not underwrite the capital loans, including rates?

**Mr. Strelieff:** — Sorry, when I went out ... I think one of the key issues relates to the letter of comfort that the associate deputy minister mentioned — that if the province does provide some sort of comfort letter to the people providing the money, perhaps the spread between what the government can borrow and what the university can borrow will narrow. But that's, I think, under discussion between the department and the university.

**Mr. Hillson:** — In this letter of comfort, it is analogous to a guarantee? Would that, would that mean we don't need to have a rating because I understand there is significant costs in the university getting rated. That does not exist if the province underwrites the loan.

**Mr. Strelieff:** — Members, the issue of rating I'm not familiar with. I think the department would have to address that. I haven't heard a discussion on that and the negotiation between the department and the university is again ... is better addressed by the department rather than by our office.

**Mr. Alecxe:** — The university has contracted with Royal Trust to help them expedite an offering in the market. I'm sorry I do not know the costs of that contract.

**Mr. Hillson:** — So with the additional costs then for the university to borrow the money ... You say your information is a hundred thousand but I take that doesn't include the contract with Royal Trust does it?

**Mr. Alecxe:** — No I don't think so.

**Mr. Hillson:** — So it's obviously over a hundred thousand. Where will that be picked up? Does that come out of the university's budget? Does it come out of the province's budget? Where will that end up?

**Mr. Alecxe:** — The university does have a core operating grant from the Government of Saskatchewan plus it does have its own resources as well and revenues which it can put to that purpose. And they have already allocated from existing resources funding for those purposes.

**Mr. Hillson:** — But in view of the fact, this increased cost to the university ... I mean after all, the university's money basically comes from the government. So does it not end up to be an additional cost on the provincial taxpayer if the university has to borrow money in such a way as to increase the cost of borrowing over what it would be if the province guaranteed the borrowing?

**Mr. Alecxe:** — Not necessarily. If they feel, and they apparently do in their current budget year, that they have the funding available to make that determination, they've already made that decision. They have, in addition to government core funding, they also have tuition fees and other sources of revenue such as land sales and rentals and so on, which is a significant amount of money as well.

**Mr. Hillson:** — Is this the first time that the university has been forced to do capital funding by its own borrowing not guaranteed by the province? Has this ever happened before in the province's history?

**Mr. Alecxe:** — That a university has had to borrow money?

**Mr. Hillson:** — Borrow money without a provincial guarantee.

**Mr. Alecxe:** — I'm not aware of the government ... of a university ... Mae, are you aware of the university having to borrow money before?

**Ms. Boa:** — Excuse me, are you speaking about universities generally or of the University of Saskatchewan or Regina ...

**Mr. Hillson:** — I'm talking about the universities in this province.

**Ms. Boa:** — We aren't aware of any of the universities needing to go out and borrow funds. They don't have the authority to go out and borrow funds per se. We've been exploring that — without permission — so we've been exploring that with them.

So this would be first, a first, so we're exploring new ground with them as the ADM (assistant deputy minister) has referenced.

**Mr. Hillson:** — So are you saying in the whole history of Saskatchewan up to this point, capital funding on the university has been a provincial responsibility?

**Ms. Boa:** — I'm not suggesting that, because there are other sources of funding. There is some funding that has come from the province. And they do have the ability and have done capital fundraising on their own. So they have other sources of ability to generate capital funding opportunities.

**Mr. Hillson:** — But this is the first time it's been done by a loan floated by the university?

**Ms. Boa:** — It's the first time that we're aware of, at least in recent history, yes.

**Mr. Hillson:** — And is the department then considering this a precedent which will be followed in the future when other university buildings need to be renovated or replaced?

**Mr. Alecxe:** — It is a precedent we're watching closely. We have discussed project-driven financing with the University of Saskatchewan. Their preference, however, at this time is to float the funding for all three buildings at the same time rather than project-finance them over a number of years.

In terms of it being a precedent, that's something we would have to watch closely.

**Mr. Hillson:** — But at any rate, for instance when the University of Regina was built, this method was not used?

**Mr. Alecxe:** — Not to my knowledge, although there were a number of different players who came together, including the federated colleges who also had funding devoted towards

capital at that time.

**Mr. Hillson:** — Do you have any idea if there is a danger that this method of financing will be used for other institutions in health and education as well, going beyond the university?

**Mr. Alecxe:** — Afraid I'm not in a position to speak to that.

**Mr. Hillson:** — Okay. Thank you then.

**Mr. Whitmore:** — Yes, thank you, Madam Chair. In the area of the long-term funding that's being discussed in terms of capital projects with the university, I think that one should look at the board of governors looking at some new and innovative ideas to deal with the capital projects that are out there.

This is new; this is breaking new ground. But I think they are looking at new ways by which we can deal with those facilities that need to be replaced at the University of Saskatchewan, at the same time in concert with the provincial government.

So I think we should look at this as I think a bold new step by the initiative by the board of governors of the University of Saskatchewan. Thank you, Madam Chair.

**The Chair:** — Comment?

**Mr. Alecxe:** — The only thing I can say is that the University of Saskatchewan has been quite interested and quite excited about the prospects of funding their capital in this way, and they're pursuing the option of market financing with some vigour.

**Mr. Thomson:** — I want to clarify this issue that Mr. Hillson has raised, and I just would appreciate the department, the departmental officials maybe explaining the difference between what the approach the University of Saskatchewan has chosen to take at this point versus the regular project-base financing approach that we take regarding capital projects.

**Mr. Alecxe:** — Are you asking, why are they choosing this as opposed to the traditional?

**Mr. Thomson:** — Right. Or what the implications would be, if you could just describe the difference.

**Mr. Alecxe:** — The traditional mode of funding would see the universities bring forward some very detailed plans to government, and as those plans come forward to government, they are approved in their detail item by item, project by project. The usual way of doing that is to receive those plans into the department and have them reviewed by other kinds of engineering and financial expertise.

We then would look at one building at a time. To fund three buildings like this over time would take probably a good 10 years minimum, assuming that we had appropriate allocations for project funding incrementally in place annually.

By going to the market the universities can use their existing combined sources of funding and revenues to flow at an \$81 million loan, and fund all three buildings at the same time and deal with what they feel are their pressing needs for the learner

at this time. The learners require a certain kind of space for labs. The Thorvaldson is a building that has literally holes in the ceiling and labs that go back to the 1930s. The phys ed building doesn't really exist functionally any more, and that's a needed space. And Convocation Hall is closed down because of basic physical plant problems that they have there and the space that can't be used.

**Mr. Thomson:** — Well it's been some time since I've been on campus but I'm not sure that any of this is particularly new. Obviously the fact that the phys ed building is virtually collapsed or did collapse is a new twist to it. But I know even 10 or 12 years ago when I was on campus this was a key priority at that point when we were tossing around a plan for a multipurpose facility.

I guess the issue that I want to make sure we're clear on is that the decision of the university's board to seek independent financing was a decision of the university's board. It was not a case of the department had declined capital dollars and is not a case of the department is going to decline capital funding. It is an argument over timing of that funding and the planning around it and the anticipation of such. Is that correct?

**Mr. Alecxe:** — That would be correct.

**Mr. Thomson:** — Okay.

Can you also perhaps enlighten me as to what percentage of the University of Saskatchewan's revenues would come from other sources other than our provincial grants?

**Mr. Alecxe:** — Tuition fee revenues are about roughly 26 per cent of overall funding. I believe they have other sources of funding up to about 15 per cent of overall revenues. Our funding tends to be in the — oh I'm guessing at that now — it'd be about 62 per cent. Is that correct Mae?

**Ms. Boa:** — 170 million.

**Mr. Alecxe:** — 170 million. It's about 62 per cent overall.

**Mr. Thomson:** — Okay. Thank you very much.

**Mr. Gantefer:** — Just briefly. In this whole project than of the university board proposing to go into the capital market as compared to the normal project funding, are there discussions going on with the department then where you would allocate a commitment over time then towards that repayment of that capital fund? Or is the department going to be removed from its responsibility in terms of these three projects?

**Mr. Alecxe:** — Some of that discussion centres around the comfort letter. And the comfort letter, as we understand, from Royal Trust only needs to be of a general kind and doesn't need to include strong language such as the government shall cover the university's debts if all of a sudden it went entirely bankrupt and we didn't have a university any more and someone needed to assume its liabilities. But rather that the government may be willing to examine some of those liabilities.

Further in their comfort letter they would like some reference to the ability and interest of the university itself in going to the

market with its funding request and that the government is basically okay with that proposition.

**Mr. Gantefer:** — If I understood the project's specific type of proposal correctly, if the university had gone by normal or past experience route — you indicated it may take 10 years for these three projects to get to the forefront — in that project funding, if you looked at one isolated case, and say the physical replacement, that the department would look at it in detail. The detail — would that also include a financial contribution towards that specific project?

**Mr. Alecxe:** — From the financial . . .

**Mr. Gantefer:** — From the department.

**Mr. Alecxe:** — From the department. Yes, it could. And we would consider that as a recommendation.

When those capital projects do come forward though in the budget process, they're rolled up with all other government capital projects so that it gets considered along with issues related to highways and health institutions and schools and so on and gets ranked within those priorities. Whereas what the board of governors is trying to do is set its own priorities for capital funding in the near term.

**Mr. Gantefer:** — But it strikes me, unless I'm understanding this incorrectly, they're also letting you off the hook for participating directly in the \$81 million projects.

**Mr. Alecxe:** — What we have done is said that at the same time that they are looking to their market options we would go forward in the budget cycle with a proposal for project-driven financing. Which in other words our traditional way of funding would be considered parallel with their market financing. So that some of their capital funding may or may not be mitigated through the budget process.

**Mr. Gantefer:** — I'm still not clear on the commitment of the provincial government either on the level of comfort or the letter of comfort which is a letter to the marketplace, you know, a level of guarantee, a letter of comfort. From the traditional funding mechanism it would strike me as that you would make a capital commitment to the specific projects of some magnitude when you approved them and it'd be a part of the overall capital, etc., etc. I understand that.

But what's proposed now, as I understand it, allows you to remove yourself from a commitment of any sort other than the letter of comfort, which may or may not be realized upon or needed to be realized upon and we would expect and hope it wouldn't be. But unless I'm understanding you incorrectly you would not be obligated to make any capital contribution to the three projects totalling \$81 million. You would just sort of put them aside and then go on with the normal course of other capital project consideration.

So that's why I'm saying, have you got any commitment towards these specific projects totalling \$81 million or have the board of governors let you off the hook on these three and just sort of set them aside and now you go on with life in the normal course of events?

**Mr. Alecxe:** — I'll try and make a very complex situation as clear as I can. What we are committed to looking at is the \$81 million on a project-driven basis. So they have said Thorvaldson is their priority, therefore we'll look at Thorvaldson funding this year. But we have no commitment at this point. The commitment has to be, has to arise from the overall accumulated capital requirements that government has to look at, and has to be looked at by the legislature in the budget cycle.

So we do not have a commitment because we're not able to give a commitment without it washing through the budget cycle first. But we are also looking at a part of that \$81 million which would be, as per our traditional mode of doing it, the Thorvaldson building. But I should add, given that the DesRosiers report was brought up earlier . . . that if we implement DesRosiers, that would then have a formula-driven basis to capital funding from now on, which would take care of projects, built-up, pent-up capital demand for equipment, etc. We would no longer look at project-driven funding if we implement DesRosiers. So we're trying to come up with a new way of funding capital.

**Mr. Gantefer:** — Okay. Thank you very much.

**Mr. Thomson:** — I just want to follow up on Mr. Gantefer's question then to make sure we're absolutely clear. The decision taken by the U of S (University of Saskatchewan) Board of Governors is for them to move these three projects forward independent of our normal priority setting within government. So rather than weighing off the benefits of doing the Thorvaldson building against fixing the College Avenue properties at the U of R (University of Regina), they have made the decision that they will independently finance these three projects regardless of where they fit into provincial priority. Is that correct?

**Mr. Alecxe:** — That's correct. And they've made that decision on the basis of current capital funding.

**Mr. Thomson:** — Okay. So it's not a case then that we are refusing to look at the capital funding. It's not a case that we are denying them funding for these projects at this point. It's simply a case that they have decided they are of such high priority they should be taken out of the normal provincial prioritization and funding mechanism. Is that correct?

**Mr. Alecxe:** — That's correct.

**Mr. Thomson:** — Do you foresee any problems in terms of duplication between the two universities — and I guess SIAST included in this — if they all proceed on this, on their own? For instance the U of R decides that it is such a high priority to them that they want to undertake a new college of — name it — that may put us in competition with the U of S. Does this move us further away from where we were headed with . . . which report was it? DesRosiers? Was it DesRosiers? It was the MacKay report I was thinking of.

**Mr. Alecxe:** — I suppose if they all did, it wouldn't put them in competition because they are working very collaboratively under the MacKay process. So it's unlikely they'd have that kind of competitive process to capital funding or put up

buildings that do the same thing unless they had agreed on, for example, they both do need after all, certain kinds of engineering colleges, by way of example, that need dedicated space.

But they do have a mechanism through MacKay, through the public interest and university revitalization report process, through the subsequent DesRosiers and capital studies that were done, to continue that collaborative work.

The University of Regina has not expressed any interest in this kind of capital financing at this time. They have not expressed that kind of capital need — not to say that it couldn't arise some time in the future.

**Mr. Thomson:** — So are you concerned about this approach then in terms of its potential pressure on tuition?

**Mr. Alecxe:** — This approach should not create any further pressure on tuition. Having the discussion around the letter of comfort really means to them, well if you basically continue the kind of capital funding that exists now, then we as the board of governors have some comfort in going to the market and saying we will have the wherewithal between that, between existing tuition fees, between other sources of funding, to meet our capital mortgage payments.

**Mr. Thomson:** — If I can just ask one other question then on capital, what role does the department, and I guess the universities, look to alumni support in terms of capital projects? Is it simply on equipment side or do we look for instance with the . . . I forget what the building's called now, the old admin building, I always called it on the U of S campus.

**Mr. Alecxe:** — Convocation Hall.

**Mr. Thomson:** — Convocation Hall . . . would we look at a certain target in terms of alumni support for a project of that nature?

**Mr. Alecxe:** — We don't express a particular target but we do encourage the universities to raise as much funding from external sources as possible. So they do have a program at the University of Saskatchewan; they have a foundation which raises as much money as possible. The University of Regina just completed its 20/20 fund-raising campaign to raise \$21 million. I think they've in fact exceeded their target.

**Mr. Thomson:** — Thank you.

**The Chair:** — Are there other questions? In order to ensure that the government members get out in time I just have two short questions. One of them: can you tell me what the DesRosiers, the MacKay, and the Johnson report actually cost? Does the cost go to the Department of Education?

**Mr. Alecxe:** — I'm afraid I'd be guessing at that amount. I'll have to get back to you on that.

**The Chair:** — I imagine this is a question that can be answered simply. Is the universities and SIAST Year 2000 compliant?

**Mr. Alecxe:** — Is the university Year 2000 compliant? They're

in the process of being Year 2000 compliant. They have a system for doing that. They are implementing a Banner . . . dedicated information systems that are well on their way to do that.

**The Chair:** — And SIAST as well?

**Ms. Stonehouse:** — They're also working on it and expect to be.

**The Chair:** — Any further questions? Then we'll go on with their recommendations. I think we'll be starting on page 176 which is chapter 19. And the first one is .16.

**Mr. Whitmore:** — Madam Chair, I would propose that we deal with .16, .17, .18, and .19 together and I would move:

That the Public Accounts Committee note progress to this date and also notes the department acknowledges that further work is occurring.

**Mr. Shillington:** — I just put on the record — I very much concur in the recommendation — I think just to put on the record, this is a very sensitive issue with the universities. This could be interpreted as impinging upon the university autonomy if the universities had to report to the department.

My experience has been universities value . . . place a very high degree of importance upon their autonomy, and anything which the legislature might do which would be seen to impinge upon the autonomy would be fiercely resisted by the universities.

So I concur in the motion made by my colleague and I just want to put on the record I think our respect for the autonomy of the universities and this allows the department to bring back a report on it without I think offending the universities which we might have done had we simply adopted the recommendations without a comment.

**Mr. Hillson:** — I'm just not exactly clear what Mr. Shillington is getting at but I have a little bit of concern that, you know, when the Physical Education Building on the university collapses and has to be replaced, and the province refuses to participate in its replacement, that this is now called autonomy. It's something that hasn't apparently happened before in our province's history, and I'm aware of the old folk song that says "freedom's just another word for nothing left to lose," and it strikes me that that's the kind of freedom that the hon. member is pedalling here.

I mean, we have a crisis with the capital construction on the university, and the province is not prepared to underwrite a guarantee, and consequently the whole project is going to cost more money. And that cost, we don't know if it will end up in tuition fees, end up out of the university's budget, end up in the provincial budget, but I mean it is additional money that has to be absorbed somewhere. And hon. members opposite appear to be saying isn't this wonderful we are endorsing the university's autonomy and freedom.

**Mr. Shillington:** — I'm not sure if the member from North Battleford and I are on the same motion. The motion which I thought we were dealing with was the one which would have

asked the department, would have suggested the department provide the university with their expectations, and then ask the university how they are going to comply with the department's expectations.

My understanding of the university is, they have a different view of the world than this. They're of the view, and have been of the view through a very long period of time, that they have autonomy. I don't think this motion addresses itself to the issue of university funding at all. I think this goes directly to the university's autonomy, so I think the member from North Battleford and I are on different motions.

**The Chair:** — I have . . . Mr. Whitmore wants to make a comment.

**Mr. Whitmore:** — Yes, Madam Chair. Mr. Hillson, I wish you'd had the opportunity to hear the comments that were made earlier on regarding the capital funding projects at the university, how excited the board of governors is in this new approach of funding now that there is a partnership being built there to deal with that . . . has been outlined by the department.

And in the area of the Physical Education Building, it had not collapsed, it had been condemned. And since then there has been a partnership developed between the university and the government to deal with that issue.

But foremost in terms of the priority list by the University of Saskatchewan which is the university of the province, Thorvaldson has been the priority item to be which has to be dealt with first. But Physical Education is second on that priority list, and that's being dealt with within the scheme of things.

But to say that we're not working with the universities is an untruth, as it's been outlined approximately 10 minutes ago within the committee. And to say otherwise in terms of the board of governors doing what they're doing in terms of going out to the marketplace to borrow this monies, they're doing something creative, they're doing something by which they think they can speed up these projects beyond the normal process by which we determine capital projects. And they are looking at something innovative and creative, which we have to deal with and try and mesh into that.

But to say otherwise, I think is a detriment to the board of governors at the University of Saskatchewan in terms of the decisions they're taking to deal with that institution. And I think one should be very careful with what one says about such actions that are being taken place by the board of governors.

**The Chair:** — I would remind members that we're actually . . . This was just a suggestion, it wasn't a motion. So if we don't have an agreement on this suggestion then we'll have to write this down and make it a motion. But we have Mr. Thomson who also wanted to make a . . .

**Mr. Thomson:** — I was going to pass, however, listening to my friend from Saskatoon I of course wanted to just add that Saskatchewan does not have one provincial university. The University of Saskatchewan is not the university of the province. It is one of the universities of the province and a fine

institution it is. But having said that, I'm prepared to let the issue go.

**Mr. Koenker:** — I pass.

**The Chair:** — Okay. So we had a suggestion put forward. And I'm not sure that we reached an agreement on it or if there's . . . I know that the recommendation that was progress to compliance I believe is what there was of the recommendation.

**Mr. Whitmore:** — I want to note that . . . simply note progress and that the department is . . . I'll repeat what I said again, that we note progress to date and also note that the department acknowledges that further work is occurring.

**The Chair:** — Are we agreed with that? Okay.

And .34:

The department should verify critical information on student loan applications.

I believe that that report wasn't finished, so concurrence? Everyone in agreement with concurrence? Okay.

.42, the same thing:

The trustees should . . .

.42 and .43 again, I believe it . . . the report has not been finished, so is this concurrence? Agreed.

.71, I believe it was compliance. Compliance. Agreed?

And .78, I believe the Provincial Auditor had indicated this was not really relevant any more.

**A Member:** — They're being phased out.

**The Chair:** — Yes, okay. So that would basically end chapter 19.

We'll go to chapter 15. And the first recommendation I believe is .24:

The colleges should prepare, test, and approve a written contingency plan.

The Provincial Auditor had indicated that the report wasn't finished. But I notice that there was two of the colleges have finished.

**A Member:** — Concur and note progress.

**The Chair:** — Concur and note progress? Agreed?

.30 and .31, concur and note progress?

**Ms. Ferguson:** — We're unable to report on progress at this point in time.

**Ms. Stonehouse:** — The college believes it's now complied with the recommendation. It's developed an asset list, and



recently it did an inspection of assets and the asset list was reconciled with the asset ledger. So again they are looking forward to the next visit of the Provincial Auditor.

**A Member:** — Concur and note progress.

**The Chair:** — Concur and note progress, agreed? Okay and the rest of them are recommendations dealing with the Indian Federated College. We had dealt with this on February 17, 1998, and at that time we said the committee reports that this has been a long-standing issue complicated by the fact that the college is funded by the federal government and is subject to the Federation of Saskatchewan Indian Nations management policy.

I'm wondering if reiterating this statement is something that we should do at this time for these recommendations.

**Mr. Shillington:** — Yes, for the reasons I stated, I think we should continue to reiterate this and be patient with the process.

**The Chair:** — Is it in agreement?

Are there any other issues or comments that members have?

**Mr. Shillington:** — Did we get all the recommendations?

**Mr. Gantefer:** — That's going to cover all of the ones that are related in this way.

**Mr. Shillington:** — All right.

**The Chair:** — I think that is it. And I wanted to make sure that we had all of the recommendations covered so that the members could leave. But I'm wondering if I could have a . . . ask one question on the student loans. Royal Bank has the contract or it was tendered. Is that something that has a date on it? Or will they have them forever?

**Mr. Alecxe:** — It's a term agreement and — Brady, when's that agreement over?

**Mr. Salloum:** — The agreement is . . . it was a five-year agreement and it expires on August 1, 2001.

**The Chair:** — Okay. And the five, . . . you noted that there was five per cent, I believe. Anything over five per cent, the government — no, the bank would be looking after. Do you know within, so far, if it's near the five per cent or if there's . . .

**Mr. Salloum:** — Our indications are that it's higher than five per cent but the . . . you're speaking of the default issue.

**The Chair:** — That's correct.

**Mr. Salloum:** — But default, the loan is active for many, many years, and so what looks like a loan that's in some distress today may not be a loan that's in the same kind of distress a year from now. So it is this issue of the students finding work and sometimes that takes them longer than six or seven months and eventually those loans do get repaid for the most part.

**The Chair:** — So how quickly does the government turn it over

to the creditor or to Creditel or . . .

**Mr. Salloum:** — It's the bank that turns the accounts over to collection agencies.

**The Chair:** — Okay.

**Mr. Salloum:** — And they work them very aggressively before they ever do that because they would have to pay a fee to the collection agency. So wherever possible they try and keep those accounts in-house and current, and they've established toll-free lines all over the country. And in fact, the Royal Bank has a western Canada students' aid centre in Regina.

**The Chair:** — Okay. Thank you very much.

If there aren't any other questions before . . . I'd like a motion to adjourn. But first of all I'd like to thank the department officials for all their work today and for the dialogue that went on and we appreciate that. We look forward to seeing you again.

And a motion to adjourn by Mr. Whitmore. Agreed.

The committee adjourned at 4:25 p.m.