



Standing Committee on Public Accounts

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**STANDING COMMITTEE ON PUBLIC ACCOUNTS
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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

The Chair: — Good morning, everyone. Everybody is ready to get started on our mission for the day.

Good morning, members. Before we get started, there's . . . And welcome, everyone. Before we get started, there's a couple of housekeeping pieces of information I'd like to give you.

In front of you is a revised agenda that talks about the changes that we made yesterday with the Department of Health and Department of Agriculture. And also there's an insert that you can put into your book under mandate. It also gives the list of the Public Accounts members. There was a couple of omissions in pages yesterday, so now this is a new copy so destroy the one that was in your book yesterday and replace it with this one.

This morning we have with us officials from Crown Corporations. Mr. Wright, good morning. We'll ask you to introduce the officials you have with you today.

Public Hearing: Crown Investments Corporation

Mr. Wright: — Sure. Thank you, Madam Chair. With me today is Mike Shaw, who is our vice-president responsible for Crown corporations division. Hopefully today he'll be speaking to you regarding Y2K (Year 2000) issues in the Crown sector.

To my immediate left is Patti Beatch, who is my vice-president of investments and can speak to Y2K issues in general terms relative to some of our investments. With me is the ever handsome Sheldon Schwartz who's our vice-president of finance, and he'll be speaking to some of the auditor's issues raised in the fall report.

And also assisting us is John Amundson, the corporate controller. And behind John, again a very handsome young gentleman, Blair Swyston, executive director of finance.

Thank you, Madam Chair.

The Chair: — Thank you. Good morning, everyone, and welcome.

A Member: — And they're all very handsome.

The Chair: — Yes, everyone there is very handsome.

And I'll ask the Provincial Auditor to introduce the officials with him today.

Mr. Strelloff: — We don't have very many handsome people. But we do attend.

With the new people that are with me today are Ed Montgomery. Ed leads our work at CIC (Crown Investments Corporation of Saskatchewan) as well as finance. As well as Andrew Martens again and Fred Wendel. Phil Creaser is sitting over there. He leads our work on information technology as well as Year 2000. And a new person in our office is Wade Kenny, a student, an articling student working towards his chartered accountancy.

The Chair: — Thank you. And I'd recommend to the auditor

that you look, because you people are very handsome.

Mr. Strelloff: — We are? Oh, well okay. Thanks.

The Chair: — Okay. Before we go any further, I'd like to read to you the statement by the Chair 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 a 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. And where a member of the committee asks for written information, I ask that you distribute 15 copies to the committee Clerk, who'll distribute the document and record it as tabled.

And please address all your comments through the Chair.

So I'll ask the Provincial Auditor to go over some of the information that we'll be discussing this morning, before I ask Mr. Wright to continue.

Mr. Strelloff: — Okay, thank you very much, members and guests. I'm going to turn it over to Ed Montgomery who's going to lead you through our work.

Mr. Montgomery: — Okay. Thank you, Wayne. Good morning, Madam Chair, and committee members. I have several comments to make regarding chapter 8 of our *1998 Spring Report* and chapter 4 of our *1997 Fall Report*. I've organized my comments to begin with chapter 8 of our *1998 Spring Report*.

Chapter 8 contains our audit conclusions and findings regarding CIC for the year ended December 31, 1997. We're pleased to report that in our opinion the financial statements contained in CIC's 1997 annual report are reliable. In 1997 CIC had adequate rules and procedures to safeguard and control its assets, and in 1997 CIC complied with authorities governing its activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing.

In chapter 8 we also report several other matters relating to CIC. First we report the need for a policy manual for CIC. Over several years CIC had developed many policies related to its Crown corporations. These policies were not kept in a manual, therefore there was no single reference source for CIC or its Crown corporations that provided guidance on CIC's expectations.

We thought that having these policies in a manual would provide CIC and its Crown corporations management with quick and easy access to CIC's written expectations. We also thought a policy manual was especially useful for providing guidance in a period of change and when CIC's expectations of Crown corporations are changing.

Therefore we recommended CIC should document all its policies related to its Crown corporations in a manual. The manual should contain CIC's expectations on all significant issues related to CIC's responsibility for coordinating the strategic direction of its Crown corporations and monitoring and evaluating their performance, and that the manual should be given to appropriate management of CIC and management of its Crown corporations.

We're pleased to report that since our audit was completed, CIC have already compiled a CIC policy manual containing all current policies pertaining to Crown corporations. And also they've provided it to management of CIC and management of the Crown corporations.

The second matter we reported relates to the need for improved accountability and public disclosure for transactions carried out through subsidiaries of Crown corporations. The powers of Crown corporations are set out in legislation. Certain transactions such as the purchase of shares of other corporations require order in council approval and are publicly disclosed.

Over the past several years we've reported instances where subsidiaries of Crown corporations have exercised greater powers or provided less public disclosure of their transactions than would have been required if the transactions had been carried out by their parent corporation. Therefore we also recommended CIC should ensure subsidiaries of Crown corporations get the same approvals and provide the same level of public disclosure of their transactions that is required of Crown corporations.

We're pleased to report that since our audit was completed, CIC has issued a policy for authorization and disclosure of subsidiary investment activities. This policy states that order in council approval is required if a Crown corporation purchases such directly or purchases them through a wholly owned subsidiary. The policy is included in the recent policy manual issued by CIC.

The third matter we report relates to CIC's annual report and the annual report of its subsidiaries including Crown corporations. We believe that to assess the performance of Crown agencies, MLA's (Member of the Legislative Assembly) and the public need adequate summary information about the plans of those agencies and about the achievement of those plans. We think all public sector agencies should provide their vision, long-range goals, specific objectives, key performance targets, and the main strategies for achieving those targets. They should also report on the extent to which they achieve those plans and targets. We think providing this information is important in order to build shareholder confidence in Crown corporations.

Over the past several years CIC has improved the quality and usefulness of its annual report. In addition they now provide

semi-annual reports. Also CIC and its Crown corporations have begun to expand the performance data they provide in their annual reports. For example, some Crown corporations annual reports include five-year comparisons of various key financial measures such as return and equity.

CIC continues to pursue improvements to its performance reporting. In 1997, CIC began to implement a balanced scorecard performance and measurement system. The balanced scorecard system will be used to evaluate financial performance as well as the achievement of targets for innovation and growth, customer satisfaction, and public policy. We support these improvements by CIC and look forward to seeing the improvements in performance reporting which will come from the balanced scorecard system. We recommend CIC should continue to improve its annual report and the annual reports for its subsidiaries by including full comparisons of planned results to actual results.

A final matter we report in chapter 8 concerns the need for CIC and its subsidiaries to provide the Legislative Assembly with a list of persons who receive public money. Currently the Public Accounts Committee has recommended lists of persons who receive public money should be reported by many government organizations. However this information is currently not provided by CIC and other Crown corporations.

Recently the Public Accounts Committee recommended it was your intention to ask the Assembly to refer this issue to the Crown Corporations Committee for its consideration. Since the Assembly has not referred this issue to the Crown Corporations Committee, we have recommended CIC and its subsidiaries should publish a list of persons who receive money from them and the amounts the persons received following the Public Accounts Committee's current minimum disclosure amounts; or discuss different public disclosure requirements with the Public Accounts Committee; or if the Assembly so directs, with the Crown Corporations Committee.

In addition to chapter 8 of our spring report you also plan to cover paragraphs .29 to .45 of chapter 4 of our *1997 Fall Report Volume II*. I have only a few brief comments on chapter 4.

Chapter 4 contains one recommendation you have not yet considered. In paragraph .35 we recommended CIC give the Assembly a copy of the share purchase agreement related to Biostar Inc. I'm pleased to say CIC have provided this agreement to the Assembly. This chapter also contains an update on two matters reported in previous years.

That concludes my opening comments and we would be pleased to answer any questions the committee might have.

Mr. Strelieff: — Thank you, Ed.

The Chair: — Thank you very much. On our agenda we have the issue dealing with the Year 2000 before we go into the other matters so perhaps we'll go into the Year 2000 issue. And I'll ask Mr. Wright if you have some opening comments about the Year 2000 issue.

Mr. Wright: — With respect to the Year 2000 issue, CIC is the holding company for the government's commercially viable

investments. It has undertaken a report that we compiled and presented to our CIC board. We provided copies to both you, Madam Chair, and to Ms. Lorje, the Chair for the Crown Corporations Committee.

Mike Shaw here is more than delighted to walk you through that report if that's what you desire and to speak to the issues. We're at your beck and call.

The Chair: — Thank you very much. I believe that we've all had ample opportunity to look at this report so I guess we'll just go into questions, unless there's any further information required from other members. Then we'll just go into questions then.

Mr. Gantefer: — Thank you, Madam Chair, Mr. Wright, and officials. We did have an opportunity as a committee to talk to the individual Crowns at some length about the Y2K issues. I guess in summary what I'm looking from your officials perhaps more so is I note in some of the critical departments if you like, SaskPower, SaskTel, that some issues are sort of hoped for or scheduled for completion in the third quarter of next year.

I guess my general comment is, are you comfortable that we're not cutting it too fine and, you know, once we start talking about September 30 of 1999, if there's any unexpected delays, we really do not have a lot of recovery time. So I'm looking for an overall in particularly the critical issues. Have you got sufficient comfort level in your mind as the overseeing Crown?

Mr. Shaw: — Thank you, Madam Chair. The Y2K issue of course is an extremely significant issue and one that the Crowns must manage well. The expectations are extremely high from both the holding company and from their own boards with respect to placing themselves and their businesses in a position to declare themselves Y2K ready.

Our role is to apply a standard set of criteria and guidelines and assess against that, and we're using the same criteria and guidelines that the Provincial Auditor and others are using so that we are standardized on that basis. Our own view, we are not experts in Y2K compliance and readiness. We are able to assess, based on the information provided to us by the Crowns, generally where they stand.

Just for summary purposes, my read of the information provided to us as of the date of this document which we had provided, as John said, to the CIC board and subsequently to both the Crown Corporations Committee and the Public Accounts Committee, my assessment is as follows.

SOCO (Saskatchewan Opportunities Corporation) declares themselves to be fully compliant by the end of this particular year. I know that SGI (Saskatchewan Government Insurance) — Mr. Fogg was here before you in October and I believe reported that SGI's critical systems are now fully compliant and he expects all other systems to be compliant shortly into 1999.

Sask Water are expected ... or declare themselves to be expected to be compliant by mid-1999. STC (Saskatchewan Transportation Company), all of its critical systems are now compliant. Sask Government Growth Fund is Y2K compliant. And SaskEnergy declares itself to be compliant in terms of its

critical systems by the end of this year 1998, and all non-critical systems by the first quarter of next year. So those corporations are in hand.

SaskTel, I know Mr. Ching was here before you last month. And as I read *Hansard* and the reports that we received from SaskPower ... from SaskTel, they expect to be compliant by mid-year, although there are risks out there in ... they're interconnected globally. What they can control they believe they have in hand. And I believe he also said that they had subjected their Y2K plan to external audit and found that there were some improvements that they could make. The audit was done earlier this year. And so they feel fairly comfortable I believe. Mr. Ching testified that — or very comfortable — that they will be in good shape.

SaskPower, they perhaps have significant challenges. They have declared Y2K as their number one business issue for 1999. They have put what I would consider to be very significant resources into their Y2K plan — 15 full-time staff and 10 part-time staff. And they are well on their way and I expect that they are going to be fully compliant in their critical systems by mid-year and compliant in other systems by the fourth quarter. So they are challenged in terms of time but I ... they believe that they have the plan and resources in place to ensure that compliance by Year 2000.

That's a summary. So generally I think the Crown sector is in very good shape. One or two situations where much work needs to be and is being done, and particularly SaskPower. I'm not sure if SaskPower has had an opportunity to speak to SaskPower. I can't speak to their details other than the information that has been provided. So that's what I can tell you about that.

Mr. Gantefer: — Thank you very much. Thank you, Madam Chair.

Mr. Shillington: — Just a question about your commercial investments. Have you had an opportunity to canvass the commercial investments and can you assure the committee that there aren't any risks of I guess loss of investments because of the Year 2000?

Ms. Beatch: — Thank you, Madam Chair. We have polled ... And I believe there was a page distributed to the committee on the major investments held by CIC.

With respect to the major investments, we approached our review in the same format that Mike Shaw described for the Crowns. That is to say we made sure that they have identified the scope and the impact of Y2K on all of their operations, that they have identified appropriately the key dependencies — that is suppliers and also customers. And lastly that they've prepared some systems to manage the process, that is to say appropriate authorities have been established, etc., etc. Indeed with all of our major investments we have comfort that they will be Y2K compliant by year end 1999.

In the case of the major investments, we have the benefit of drawing on partner expertise as well. That is to say for example with Saskferco—Cargill, our partner who have devoted significant resources within their enterprises — have kindly

shared their processes and methods of dealing with the Y2K issue with Saskferco itself.

And so we can draw on the resources of Cargill and that's the case with respect to most of our major investments. So indeed we are comfortable and don't foresee any problems with respect to the investments.

Mr. Shillington: — Thank you.

The Chair: — Are there any other members that have questions? Okay.

So we appreciate this very much; the information that you sent to the committee in October was very valuable to us. And I think that's . . .

Mr. Wright: — If I could add, Madam Chair, we're planning updates on this every quarter. And we will forward to this committee and to the Crown Corporations Committee the updates on an ongoing basis.

As well, if the committee is interested, we tap into other sources. For example, the Canadian Electrical Association — and I've just received it so I haven't read it all — undertake a survey of its members and by me just looking at it, I would say SaskPower stacks up well. So if the committee's ever interested or individual members interested in what associations are doing that have relevance to our Crown corporations sector, we'd be pleased to share that with you as well.

The Chair: — Thank you. Just one question — the funding that was spoken about in this report for SaskPower, is that still sort of the estimate or is that going to be increased?

Mr. Shaw: — I'm sorry . . .

The Chair: — The cost for SaskPower? We were talk about 15 full-time and 10 part-time personnel. Is that still in this budget now?

Mr. Shaw: — The costs that have been reported to me are summarized on page 7 for SaskPower, looks like about \$15 million in total. And I believe that that will include the resources that are allocated for 1999.

The Chair: — I see. Okay. If there's no further questions on the Year 2000, we can go into our other section.

I understand that you spoke at some length about this issue at the other committee meeting yesterday?

Mr. Wright: — Indeed we spoke to it. I'm not sure at length. But we did speak to the issue.

The Chair: — Okay, thank you very much. Mr. Gantfoer, we're going into the chapters now, chapter 8 and 4.

Mr. Gantfoer: — Thank you, thank you, Madam Chair. And again I don't intend to drag you over all the same territory that you went through perhaps yesterday.

But in summary from the Auditor's report, I would like you to

give us an update so that we understand it clearly . . . about the decisions you've taken in policy in regard to the reporting and accountability procedures for subsidiaries of Crowns.

Mr. Wright: — Sure. I'm going to turn this over to Mr. Schwartz to speak to both those issues.

I'll speak to the policy manual. What we've done — while he prepares his notes on the BCAs, as we call them, Business Corporation Act subsidiaries — on the policy manual indeed the suggestion of the Provincial Auditor was well received. We hadn't compiled all of the individual policies into one location.

We have done that on a regular basis as we update them, develop new policies. For example we just developed a diversity policy for each of the Crowns. We distribute those to the CEOs (chief executive officer) and to the Chairs of the board. They're included in the manuals. We thought it was a good idea. The Provincial Auditor encouraged us and we've gone full forward on that.

So the policy manual at this point probably has about 12 to 15 individual policies ranging from how one goes about selecting your auditor and what are the rules around that, through to diversity policies, through to financial reporting policies. So we're very pleased with that.

With respect to The Business Corporation Act subsidiary issues — Mr. Schwartz.

Mr. Schwartz: — Mr. Minister, a policy was a directive was passed by the CIC board in the early summer of 1998 that, as Mr. Montgomery has indicated, requires any Crown corporation or designated Crown to seek the approval of the Lieutenant Governor in Council to purchase shares, bonds, debentures, or other securities of any body corporate either directly or through a wholly owned subsidiary. So that the intent is that the disclosure and approval mechanism required for Crown corporations also be applied to The Business Corporation Act subsidiaries.

One difficulty that we have run into in terms of the application of that policy is that the Department of Justice has advised us that the provisions of The Crown Corporations Act, 1993 cannot be extended to require approval of BCAs to purchase shares in themselves. That if the money essentially comes to a BCA from a Crown corporation, that can be accommodated within current legislation. But to require a BCA to get an order in council for purchasing another BCA is beyond the scope of the legislation and would require legislative changes.

So the intent is to comply with it in terms of the ability to . . . it's currently in that restricted case confined by the legislative parameters that we have to deal with.

Mr. Wright: — And if I may add, Madam Chair, we are looking at, in conjunction with the Department of Justice, looking at those changes such that it may be possible in short order to bring forward the changes to achieve the desired results of the Provincial Auditor and of ourselves before we endorse this policy.

But also mention that the Provincial Auditor and ourselves have

had brief discussions respecting order in councils for the sale of securities and shares. And I think that in due course perhaps the Provincial Auditor may be recommending that, that order in councils be raised. And we view that favourably. We want to check it out a little bit more. So I'd like to think that we will be in full compliance with the Provincial Auditor's recommendations in this regard.

Mr. Gantefoer: — Thank you. So that as I understand it you're recommending to Justice that the appropriate changes be made to the Act to allow or to get rid of any problems that you have in implementing this policy.

Mr. Wright: — Madam Chair, it is our legislation, so we're working . . . we don't recommend to Justice to make the changes, we seek their advice on what the changes should be and then we take it through the process ourselves. So we're moving along in a very positive fashion.

Mr. Gantefoer: — Thank you very much. Madam Chair.

The Chair: — Any other members have any questions.

Mr. Hillson: — Mr. Schwartz mentioned the purchase, but you're also talking about disposition?

Mr. Wright: — Of securities and shares, yes we've had a bit of a dialogue with the Provincial Auditor's office and perhaps the Provincial Auditor will speak to that, I'm not sure, Madam Chair. And if I may, I'd just like to introduce a new member of our CIC team which is Ted Boyle, who's my executive director of communications who's with us today.

The Chair: — Welcome. And do you have a comment?

Mr. Strelloff: — Madam Chair . . .

Mr. Hillson: — But of course, paragraph 18 and 20 seem to say that there should be no distinction between subsidiaries and the main province. And what progress is being made? Of course, that was also the recommendation of the Crown Corporations Committee. Will we see that happen in the coming year?

The Chair: — Is there . . . Are you directing the question to . . .

Mr. Hillson: — I'm sorry. Well whoever is most up-to-date on it. Mr. Wright indicated that perhaps the Auditor's office would know more about it.

Mr. Strelloff: — Do you want me to enter into that or do you want to?

Mr. Wright: — Madam Chair, if I may, I sort of punted it to the Provincial Auditor and I do apologize for that.

On the purchase of securities items — BCAs, as we're referring to The Business Corporations Act, 1993 businesses, we're moving down the legislative agenda there, trying to see what we can do about making the appropriate changes such that OCs (order in council) will be provided in all cases.

The inverse of that, of course, is the sale rather than just the purchase, but the sale of assets. And just recently we've had

some conversations with the Provincial Auditor's office about the sale of securities and the sale of shares as to whether or not it would be appropriate to have an order in council for that.

Now the Provincial Auditor has not yet reported on that. Perhaps in due course he will be. But I just wanted to make note of that . . . that we're working with his office on that.

Mr. Strelloff: — Yes that's correct, members. We have, as you know, been recommending that when you acquire shares or another organization, that that be publicly disclosed through an order in council. And now we've talked with the officials of CIC about the reverse transaction, and that is when you sell shares or a subsidiary, that there should be public disclosure through an order in council. And from what the president of CIC has said this morning, progress is happening on that and I expect that you'll see both sides of the equation being disclosed.

Mr. Hillson: — Paragraph .30 in Crown corporations, there was much talk about whether business plans should be published and whether that would put some of the Crown corporations at competitive disadvantage, and what the companies do in other provinces which are privately owned and apparently do in many cases have business plans.

Is that what is referred to in paragraph .30, is the publishing of business plans, and if so, how does CIC react to that as to whether that is appropriate?

Mr. Wright: — Thank you, Madam Chair. We certainly at this point fully comply in our belief with The Crown Corporations Act, 1993 and the requirements for disclosures in the annual reports.

We disclose a variety of items in our annual reports, including corporate mandate, strategic plans, corporate objectives, and an evaluation made on achieving those objectives in the annual report. We're quite pleased with the progress having been made in the annual reports in a section called MD&A (management's discussion and analysis).

Previously, in years gone by, annual reports generally just spoke to the past. They never spoke to the future and the challenges and the risks and the opportunities for each of the corporations, including CIC.

Commencing with, I believe it was the 1997 annual report, we've included a section that speaks to, not necessarily the business plans, but those items that could and will or may impact on the Crown corporations in the future. And we think that that's very important.

With respect to section .30, I think it suggests including full comparisons of planned activities to actual results. I interpret that predominantly as financial reporting.

We've taken some exception to that because of the competitive nature of many of our Crowns and the businesses that they're in. Again, for example, SGI CANADA competes with 100 other insurers in the open marketplace here. As such, we want to ensure that we follow at a minimum, private sector standards through the Ontario Securities Commission who sets those standards, and where possible, to report even more than is

required there.

For example, in CIC's annual report, it's not just a financial report any more. We speak to a variety of issues in here — environmental studies that we've undertaken, diversity policies that have been developed and so on. So we're trying to broaden the scope.

But the actual comparison on a financial basis, of planned to actual, we view as difficult given the competitive environment. Also in the case of CIC, given its . . . the nature of the partners that we have, be they Cargill, be they Millar Western, be they others out there, that we would find that very difficult.

Mr. Hillson: — So take the example of SaskTel. There's been some dispute as to say whether the reporting on business plans, the vision of the company in the next decade, whether that is as full as they say what Bell Canada would be reporting in its annual report. Do you have any comments on that?

Mr. Wright: — Madam Chair, I would fully expect that the business plan and the vision, the mandate, the strategic objectives and so on are clearly reported in SaskTel's annual report. Of course, improvements can always be made; don't be wrong on that. But in the MD&A section, again management's discussion and analysis, they are laying out and hopefully will improve upon it, aspects of the business plan as they move forward. Again not just retrospective, but prospective in terms of the approach. So we believe that if in the view of some we're not quite as good as Bell Canada in reporting, boy, we're going to get there. And we're going to improve upon that. That's our goal. That's our objective.

Mr. Hillson: — One part of Crown Investments that has had significant difficulty and I think it's conceded by everyone that it has nothing to do with management or anything we're doing wrong, but simply market conditions is the pulp mill or Western. Is there anything you can tell us about what projections are there, if there is any turn around in the market anticipated.

Mr. Wright: — Certainly. I'm going to just do a quick overview and then Patti Beatch can fill in behind me on activities that we've undertaken today. We did file a significant transaction report with the Crown Corporations Committee on Meadow Lake as a result of a change in the financial structure — in the financing arrangements — in the spring of this year. And we'd be pleased to provide anybody who so desires a copy of that as well.

Mr. Hillson: — That's over the refinancing and the Bank of Commerce, wasn't it?

Mr. Wright: — Yes, we filed that several months back, a couple of months ago, Madam Chair, with the Crown Corporation Committee, not with the Public Accounts Committee. But of course we'd be more than pleased to provide you with a copy.

In general, Meadow Lake suffers not from a management problem, not from a productivity problem, not from a workforce that isn't motivated, isn't highly productive. It suffers from price commodity problems.

For example, in 1996, CIC's share of the net income, CICIII (Crown Investments Corporation Industrial Interests Inc.), which is to say Industrial Interests Inc., where we hold it, we lost \$22.8 million. In 1997, we lost \$20.7 million, which is reported in our annual report. In 1998, we're going to lose in the range of 15 to \$20 million, perhaps more. Again, it's commodity price driven.

Mr. Hillson: — Sorry, what was the 1996 figure?

Mr. Wright: — If I can run you back, 1994, \$14.5 million dollar loss. In 1995 you'll recall, or you may recall, that the commodity price jumped through the ceiling and we had very strong pulp — a profit of 29.6 million. In 1996, a loss of 22.8; and in 1997, a loss of 20.7. Again, it's driven by commodity prices.

May I remind you about the plant up there. The plant up there has over 300 jobs direct. The plant also has an enormous number of indirect jobs with people working in the forests.

In one extreme, if we were to shut down that plant for whatever good or bad reason, it has not just an impact on those people, it has an impact on the whole forestry sector up in the north-west, simply because other firms that are up there like NorSask rely upon Millar Western for the hardwood coming out of the forest and NorSask uses the softwood.

As a consequence, if nobody's out there harvesting the hardwood, the costs of just going in and picking the softwood increase dramatically. And as a result, in that extreme situation, which I don't believe will be the case but in that extreme situation, the forestry industry in north-west Saskatchewan would be in dire straits and it would not be just the direct jobs at Meadow Lake, MLPLP (Meadow Lake Pulp Limited Partnership). It would be also the jobs direct and indirect at places like NorSask.

But with that in mind, Madam Chair, if I can ask Patti to speak to some of the recent events that we've undertaken in conjunction with others.

Ms. Beatch: — Thank you, John, Madam Chair. With respect to the pulp mill, your question was can you give us a forecast I believe of the outlook for the pulp mill's results for the coming year. We aren't at liberty to do that with respect to our agreements with Millar Western. We're not allowed to forecast the results of the operations itself.

Pulp markets, I can tell you though unfortunately over the coming year, are not looking positive in terms of any sort of major bounce back of pulp pricing. We have attended conferences put on by RISI (Resource Information Systems Inc.), which is a major forestry consulting firm. They advice and their view is that after we get over '99 things will begin to improve in the pulp markets in terms of market pulp pricing.

Meadow Lake has a major contract with one particular company which is a long-term contract which stabilizes their results to some extent. They aren't entirely exposed to market conditions because they have this contract. But indeed it is entirely dependent on the pulp markets.

With respect to recent events we did file a significant transactions report — I have it here. It was filed on or dated June 5, 1998 to the Chair of the Crown Corporations Committee and we are more than pleased to give you a copy of that.

We have been working with Millar Western on trying to figure out the restructuring of the Meadow Lake pulp mill. There are certainly several options. One includes just turning it off, shutting it down, potentially getting scrap value — whatever that might be — in addition to losing all the jobs that John described both at the mill, in the woodlands, and with respect to NorSask and possibly others.

Another option is to sell it. However in August we brought in five investment banking firms for free . . . came in and gave us their best advice to try and help us determine our options, and they quite clearly said in August that there just are no buyers for pulp assets at this point in time. Having said that I shouldn't sound so conclusive. They didn't poll the market but their sense was there are no buyers for the pulp assets. The reason is the likely buyer would be another industry player in that sector and not a lot of them have a lot of surplus cash. So it would be difficult to sell at best and in any event it's not necessarily the best time to sell when commodity markets are so poor.

Another option is to restructure it which is clearly where we're focusing. We have talked to Millar Western extensively. For reasons of confidentiality I can't go into all the details of what we've talked about. We are indeed working on fixing the balance sheet of Meadow Lake pulp which has a lot of debt due from CIC and potentially considering a merger with Millar Western and their assets in Alberta, possibly. What that would do is give us greater economies of scale, a larger operation.

Ultimately the objective is to take us into the public market so that we can access some high-yield debt which is a debt largely coming out of the U.S. (United States) which we will use to repay the CIBC (Canadian Imperial Bank of Commerce) which is the thrust of the paper that we filed with the Crown Corporations Committee. We have a need to remove the CIBC by August 1999, and their lending commitments to Meadow Lake Pulp to a reasonable amount. So those are my comments on Meadow Lake.

Mr. Wright: — Madam Chair, if I can just add one or two other items. In CIC's portfolio, this is clearly at the top of one of our concerns and issues. We've devoted significant resources to this to date and we will into the future.

When I outlined the losses that CIC has absorbed, there's an important . . . I'm an economist, I'm not an accountant. And in the world of economics we tend to deal with cash — cash is king. Those losses are not cash losses, per se. Please to understand that.

What those losses are is that in general terms the plant has been operating cash flow break-even, slightly positive to slightly negative. So the losses generally reflect, for accounting purposes, depreciation of the assets. The money's been put in. The place is breaking even, very thinly, on a cash flow basis. This year it's going a little cash flow negative. That's why the request and the OC for up to \$15 million injection.

But those losses, just to be clear, are really for the better part accounting losses attributable to depreciation on it. So I think that's important. It's not that the taxpayers of this province have lost 20 million in cash. The cash is already there. What they've lost is an accounting basis, which is fair and reasonable. There's nothing wrong with that, but it's a subtle interpretation that I think is important.

Mr. Hillson: — I think I understand that, sir. But help me understand — when you talk about 15 to \$20 million this year and a \$15 million injection, that is to let CIBC out of the picture. Is that correct or not? Or am I miss . . .

Mr. Wright: — No.

Mr. Hillson: — Okay. Then please lead me through that.

Ms. Beatch: — Madam Chair, the 15 million, up to 15 million commitment, is for cash flow shortfalls. And the CIBC has two means of investment in Meadow Lake. They have long-term debt, which is one issue, and then they have an operating line of credit, just like any company has an operating line to fund working capital.

They have set a limit on that operating line, and the 15 million that we are committed to potentially fund is for those situations where the operating line is not sufficient. So if working capital at any point in time needs take them beyond the line of credit, we will fund that excess. So the \$15 million is on the operating line.

The other issue is the long-term debt, which the CIBC wants to have their exposure lowered significantly by August 1999. Does that clarify?

Mr. Hillson: — Yes, I think I understand. But then if I could come back to it though. When Mr. Wright spoke about the 15 to \$20 million loss this year — and I understand what you're saying, that's a paper loss, it's not cash that the taxpayers are putting in — but does that include this new injection to which I take it from what you've said is in the nature of a line of credit over and above the existing CIBC line of credit?

Mr. Wright: — In many ways, Madam Chair, they are two separate items, okay?

Mr. Hillson: — They are.

Mr. Wright: — And one's an apple; one's an orange. One's cash; one's accounting. And sometimes when you make juice or jello, they blend together. But you should view these as very separate. The loss this year that'll be incurred by CIC is predominantly as a result of depreciation, not cash flow. The up to 15 million that we can put into it is for cash flow purposes, to keep it in the black on a cash flow basis. Not on an accounting basis but on a cash flow basis, so they're somewhat different, Madam Chair.

Mr. Hillson: — Okay. And I take it though that the bottom line from all that you've told us is that we really have little alternative but to hang in and hope that in one to two years time there will be an improvement in the pulp market in North America.

Mr. Wright: — Madam Chair, I always view that there are alternatives. And our job is to fully assess those alternatives on the broad spectrum from status quo, hang in there, don't change anything, through to the very extreme of closing the mill and the ramifications there. Our job is to assess it not only on a financial basis but also on an economic basis. I like to think of it as the value overall — not just price but also the situation dealing with the economy.

And as Patti Beatch outlined, Madam Chair, there are many options in between and that's what we're reviewing with members of the investment banking community right now and trying to assess those. We realize that under any circumstances short of status quo and shutting the plant down a financial restructuring is required.

The net book value at the close of 1997 that CIC has in this operation is down to \$113 million and we need to address that. That's the outstanding book value of that — will write downs be required?

Mr. Hillson: — Pardon me for interrupting here but when you talk about the book value, does that have any relationship to market value or is that simply an accounting . . .

Mr. Wright: — That's what we carry it on our books at and that's an accounting framework. The market value may be more or may be less at any point in time. Another example is our Cameco shares. Our Cameco shares we carry at 18.75 on our books, I believe, but today they're trading past the book value. Today they're trading, I think, I hope, in the \$35 range or \$32 range. So often we carry things at a quote, "book value," which doesn't reflect market value.

Mr. Hillson: — The other Crown corporation I'd like to ask that's certainly presented significant challenges — and I apologize to other members if this has already been done in previous meetings — is of course the bus company. That we all recognize that on the one hand there's a need to provide some service to some of our smaller rural communities where seniors especially may not have alternate methods of getting into the city for appointments and business.

On the other hand, despite several announcements that plans were in the works to make it more profitable or less of a loss, it hasn't seemed to show up in the bottom line. Is there any way we can balance these two — providing necessary service without the cost of what appears to be large empty buses?

Mr. Wright: — Thank you, Madam Chair. STC has been challenged and I'd like to believe, and I do believe, that it has made very significant progress: significant progress on the financial front, significant progress in ensuring a quality service to the individuals out in rural Saskatchewan as well as in the main.

Indeed what we did over the course of last year was we sat back and took a look at STC and asked the question, is STC in and by itself a commercially viable entity under its current framework, and the answer is no. The answer we reached was that it was not commercially viable under its current financial structure and because of the nature of the social policy that it provides, service to rural residents and to other individuals out

there, it was determined that two things should occur — maybe more than two. But the first was a financial restructuring. And Mr. Schwartz can speak to that in details if you so require them, Madam Chair.

The second was to what I call, belly up to the bar and say look, if it's going to lose money on an operating basis, that should be considered as a result of social policy and should be considered a grant. Let us not keep providing advances to them that may never be able to be repaid. Let's call it for what it is. It's a grant.

So CIC is been given the authority to provide grants to STC. In addition, management has taken a very active attitude, along with all the good folks that work at STC, in increasing productivity, in improving the overall financial and service dimensions of the corporation.

In the past, STC has had significant losses. And if I can just speak to them ever so briefly to give you a little — as soon as I can find them, Madam Chair — to give you a little idea of it. For example going back in . . . I'll just pick years randomly here: 1991, STC lost \$6.5 million; 1993, \$3.2 million dollars; 1995, 5.5 million; 1996, 6.2 million. That's unacceptable.

We anticipate that in 1998 it will be significantly less than that. Indeed it will lose money and indeed we will be providing the grant and we continue to work with management to get that down to a truly acceptable level that clearly reflects — and we believe we're almost there — that clearly reflects that social policy inherent in the operations of STC.

One final point — I know I'm going on at length and I do apologize — but one final point that will challenge STC into the future is deregulation. The federal government has indicated that it proposes to deregulate the bus market per se, and as you may know, Madam Chair, there are only certain lines within Saskatchewan that are profitable.

In general terms, and I'd encourage you to ask STC about them, but in general terms they are the Regina-Saskatoon, Saskatoon-P.A. (Prince Albert) . . . And the profits generated from those go to subsidize the North Battleford to Saskatoon, or the Melfort to Saskatoon or to Regina lines.

With deregulation, STC may get cherry-picked, which is to say those profitable lines may be dominated by others. So certainly a challenge. Management is working on that. The board is very active — a very excellent board. And they're moving forward on these and trying to address them straight-up.

Mr. Hillson: — What you were just saying a minute ago, sir, that you do not expect that we'll be in the \$6 million loss range this year, which seems to be where we've been coming in at.

Mr. Wright: — Absolutely not, Madam Chair. Half of that.

Mr. Hillson: — Half of that. That sounds very . . . and is that because we're moving to smaller buses for the rural routes or how do you achieve this, this improvement?

Mr. Wright: — Well this improvement is predominantly as a result of efficiencies gained. At STC as I mentioned everybody's got a great new attitude there, working really

positively I believe.

There is a change in the buses and the configuration of those to move to smaller buses. Instead of the big 47 passenger buses roaring down the streets, they're moving to alter the structure — smaller vans and so on. And in addition they have gotten out of certain lines of business that were not — the courier business and so on — that there were not profitable nor part of the core mandate of STC.

But with respect to the specifics, I really encourage you to ask STC. I've just given you a little flavour for it, okay.

Mr. Hillson: — But on the general, Mr. Wright, you seem to be saying that the time has come — not only from CIC but from the political level too — to acknowledge that bus service to rural Saskatchewan is social policy as opposed to business policy.

Mr. Wright: — That is correct, Madam Chair. It is social policy that was determined when CIC was given the authority to provide grants instead of advances. Advances imply commercial, commerciality. Grants imply a policy, and in this case it's a strong social policy.

Mr. Hillson: — One final area I'd like to touch on if I may, and that is, is there anywhere a statement of policy as to where we now stand in terms of foreign investment? Is that part of the philosophy, part of the future drive of our Crown corporations? Or is it not? Is there anything written as, say, whether that is part of the vision you have for our Crown corporations?

Mr. Wright: — Madam Chair, I think, as I recall, that there is indeed a statement about foreign investments. Both in the talking about Saskatchewan report, which was in the fall of 1996, and in June of 1997 the final report of the Crown review, there is mention of foreign investments.

With respect to a defined policy surrounding that, CIC has developed and is part of our policy manual, I believe ... (inaudible interjection) ... yes, I'm assured — foreign investment guidelines, which is to say certain requirements that Crown corporations should adhere to in making, if they choose to make, an investment. Other than that, is there a defined policy about them? Not that I'm aware of.

Mr. Hillson: — Okay. Would it be possible for me to see ... Maybe I've already got it somewhere; I'm not aware of it.

Mr. Wright: — Indeed, Madam Chair, we'd be delighted to provide to you and through you 15 copies of the investment guidelines, and we'll have those to the committee ASAP — as soon as possible.

The Chair: — I appreciate that.

Mr. Hillson: — Okay. Yes. Thank you, Mr. Wright. But what I'm getting at is a little bit broader than that, Mr. Wright. Is there any statement anywhere as is this a priority of CIC and our Crowns today? Foreign investments by our Crowns, is this what you see as necessary to preserve the financial integrity of our Crowns in the globalization? Is this a priority that's being pursued or is it not?

Mr. Wright: — Madam Chair, I haven't done my homework in preparation for some of these questions so please bear with me as I attempt to answer them.

I think the number one priority for our Crowns — and please correct me if I'm wrong, somebody — is customer service first. I think that that is the number one priority of SaskPower, SaskTel, SGI, SaskEnergy, STC, to serve the customers of this province.

I think a corollary to that or a secondary objective is to serve them with rates that are fair and equitable, given the circumstances that each of the Crowns face, be it competition or be it their financial structure. So I see those two as being the two top priorities.

With respect to foreign investments, as I recall, the Crown review noted that in many cases — be it a SaskPower or be it a SaskEnergy — the markets here are satisfied, which is to say that there is no further room for growth in these corporations. And as they face competitive pressures from other corporations that walk in — be it Sprint or AT&T, or be it Wawanesa or the Co-operators — the Crowns, in order to ensure their longevity and ensure, to ensure customer service first and to ensure in my belief fair and reasonable rates being charged, believe that they've got to step outside of their borders.

Now in the case of SGI CANADA, clearly they've been successful in doing so. They stepped into Manitoba and do an excellent job there. I believe that the brokers association voted SGI CANADA as the best corporation with which to do business, which is very interesting. And SGI CANADA has attempted to get a licence to operate in Alberta — Alberta sees the world a little differently perhaps — in B.C. (British Columbia), and that's ongoing, and does a tad of business in northern Ontario.

Other corporations have also diversified their operations. SaskTel are moving into new areas that are related to the telecommunications side of the equation and so on.

Indeed SaskTel has entered into the foreign investment arena, be it with the Saturn investment in New Zealand or contracts in the Philippines and elsewhere. They view this as an essential part of diversity, as a way of ensuring fair and reasonable profits returned back to the shareholders, the people of this province. By providing those profits can also generate and ensure reasonable returns or rates to the people in this province.

Is there a defined policy on this? Not that I'm aware of.

Mr. Hillson: — But initially it relates to the fact that the home market is a mature market.

Mr. Wright: — Yes, it is.

Mr. Hillson: — We've all got phones and we've all got power.

Mr. Wright: — That's correct, Madam Chair.

Mr. Hillson: — Then, Mr. Strelloff, is there any comment you have on what Mr. Wright has said about there not being a policy? Do you see a need for a written policy on foreign

investment or not?

Mr. Strelloff: — Madam Chair, members, I think the response by John was a good response and the opportunity that you have to discuss that response with him is a good direction. I have no further thoughts on that.

Mr. Hillson: — Very good. No further questions.

Mr. Shillington: — I didn't raise my hand to deal with the STC. I note it's on the agenda later on but I don't want to let the comments of members opposite pass without some comment.

And I want to associate myself with the comments of the president of CIC. It seems to me that we make a mistake in judging STC solely as a commercial enterprise. It seems to me that STC does serve a purpose and has a social value apart from whether or not it returns a profit to CIC.

I note with interest a report in the *Leader-Post* of July 24 in which one Elwin Hermanson is reported as saying:

Saskatchewan's bus company is a "money-losing merry-go-round" that should be stopped dead so taxpayers aren't footing the bill for crappy . . . bus service . . .

Mr. Hillson: — Madam Chair, if I may jump in here.

The Chair: — You're interrupting, Mr. Hillson.

Mr. Hillson: — In response to Mr. Shillington, I don't think I was making a political statement; simply trying to get some information on where we stood.

And the answer of Mr. Wright that sometimes our Crowns, particularly STC, are social policy as opposed to business policy is not something that I recall arguing with Mr. Wright over. I think I was attaching myself to it and I don't recall any other member arguing over. And we had been told to try and approach this in a non-partisan way to gain information. I think that's what I was doing. And I'm sure the hon. member seems now to be suggesting that there was something opposed to STC. I don't think there was.

Mr. Thomson: — Well I'm just curious, Madam Chair, on what basis Mr. Hillson is interrupting Mr. Shillington's time?

The Chair: — I think Mr. Hillson was doing exactly what I was talking about — the discussion we had yesterday on making sure that we didn't bring politics into this. And we were trying yesterday to make sure that the part that was brought up was merely talking about social policy. In fact I quite clearly heard Mr. Wright say that STC was considered a part of the social policy.

Mr. Thomson: — Oh, okay. Well I'm enlightened now. Thank you very much, Madam Chair.

The Chair: — That's good then.

Mr. Thomson: — Very useful.

The Chair: — Mr. Shillington is not trying to make politics.

A Member: — Start over again. Read it again.

Mr. Shillington: — I think members opposite heard me actually. If members opposite disassociate themselves from these comments, that's fine. I certainly want to.

It seems to me that if we insist that urban . . . if we allow urban people to have services which are subsidized and insist that services in rural Saskatchewan have to be commercially viable, life is going to get difficult for people in rural Saskatchewan.

And I simply wanted to endorse the comments which were made and that is that this bus company has a social value. An attempt is being made to ensure that the services are provided as efficiently and effectively as possible. And STC should be judged on that basis.

I actually put up my hand to raise a different issue and that is your annual reports. And I'm wondering if any consideration is being given to supplementing the written annual reports with Web sites. More progressive — progressive isn't quite the right word — better-managed private companies, it seems to me, supplement their annual reports by putting much the same information on a Web site together with additional information, press releases and so on.

And I wonder if CIC, which I think plays a role in setting the standards for annual reports, has considered asking the Crown corporations to supplement their annual reports with Web sites.

I say this without being critical of SaskTel, but I find it a little curious. SaskTel's in the business I think of promoting the use of the Internet. I'm not aware that they make full use of a Web site to supplement their annual report.

So I wonder if CIC has given consideration to suggesting the Crown corporations supplement their annual reports with Web sites.

Mr. Wright: — Thank you, Madam Chair. Sorry, I just lost my train of thought — two seconds. Web sites. Indeed I'm advised that SaskTel and SaskPower do provide their annual reports and supplementary information on a Web site.

In addition, CIC's annual report and semi-annual statements are on a Web site. CIC is also working diligently on creating its own particular Web site which will provide a lot more information to the people of this province and to others who are interested in the activities of CIC.

So the long and the short is progress is there. I think that we're moving forward in developing and improving upon the quality of the Web sites, Madam Chair. And I hope to be able to report come next spring to this committee and to the Crown Corps Committee that it'll be www.cic.terrific.ca.

Mr. Shillington: — The privately owned corporations who have Web sites, usually . . . there are additional things can be done. It's usually possible to leave them an e-mail address and they provide you with copies of the press releases and ongoing information.

There's a cost to administer this, but as I understand the

telephone rights, there's no additional cost to sending it out. And I'm . . . perhaps not a question as much as a suggestion that the Crown corporations could utilize this mechanism. It's quite cheap as well; cheap to prepare and I think cheap to send out.

I was talking to an individual about a week ago who is in the business in Calgary of doing annual reports for companies and she quite candidly told me her charges. The cost of preparing an annual report for an oil company ranges from 30 to \$100,000. They attempt to sell them on the notion of doing a Web site as well. She said the cost of that is 2 to \$5,000. So I think it's probably cost effective as well as being, I think, serving a certain market, particularly a younger market. Younger people tend to I think go to Internet before they would write away for an annual report.

Mr. Wright: — Well, Madam Chair, as soon as I've got the actual address I'd be pleased to provide it to you about CIC. And any suggestions and comments that members have here or members of the public have about the ways to improve our Web site, that would be greatly appreciated.

I tap into the Provincial Auditor's Web site from time to time to find out what things he's up to and it's a great source of information, let me assure you. And I want ours to be . . . I'm sorry, Madam Chair, I'm joking around when I shouldn't be. But I do want ours to be relevant, accountable, transparent and responsible, and we look forward to your comments and suggestions.

The Chair: — Do you have any further questions?

Mr. Thomson: — My questions relate to STC as well and the discussion we were getting into this morning about the value of service. I'm reading an article from the *Leader-Post* dated July 24, and of course I have no reason to believe this wouldn't be true since it's in the *Leader-Post*. But it says here that, "private operators are doing a better job of moving passengers and freight in rural areas so STC should pull out." This is attributed, not quoted, but attributed to Mr. Hermanson.

Could you tell me where STC is in competition with private operators or where private operators would provide the bulk of service?

Mr. Wright: — Madam Chair, I've got to pass on that question. I just don't feel that I'm as knowledgeable as perhaps I should be in that area. So with the greatest of respect if you could get STC in here that would be very helpful. Sorry.

Mr. Thomson: — I think that's a fair response. Let me ask this then, concerning privatization of the Crown corporations: if STC were to be privatized I guess the question I have is what is our current value of that corporation? What is the current asset base of that corporation.

Mr. Wright: — Well, Madam Chair, there's no agenda for privatization that I'm aware of — first off, I'd like to make that point. The Crown review did take a look at the various options for STC, and those options are immense. There's a whole spectrum, everything from just shut it down through to, what I'll call public/private partnerships, through to full "privatization." Also in the sale of an asset like this, there's

many ways you can go about it. You don't have to sell the whole thing; you can merge with perhaps Greyhound or others.

The value of that corporation is predominantly in its assets, which is to say the land that it owns in various communities, like Saskatoon and downtown Regina. It's in the buses themselves and so on, and the buildings of course.

The exact value I'm not sure; I'd have to make reference back to the Crown review report and provide you with an update on that. So I just can't pick a number right at the moment, I'm sorry.

Mr. Thomson: — Could you just clarify for me then, because I haven't read the Crown review in some time, what was the result of the public meetings in terms of privatization?

Mr. Wright: — There was a committee that was struck called Talking About Saskatchewan Crowns, and again, it provided its report to the people of this province, I believe in the fall of 1996. And I believe that there was a strong consensus that the Crowns should not be "privatized."

Mr. Thomson: — I have a few other questions on STC but I'll save them for a review of that.

The Chair: — Thank you. Any other members?

Ms. Stanger: — I just wanted to say how much I appreciated the president's explanation when we were talking about the Meadow Lake pulp mill. Because it's one thing to come and question your operations, but it's mandatory that we understand how those are . . . And I have to admit while you were speaking, and if you hadn't elaborated, I thought they were out and out losing \$20 million, and we are putting \$20 into it.

So it was very important to a committee like ours that you gave the explanations in the way that you did. I really appreciate that, because if people are going to question you they should at least know what the heck they're talking about.

And I just wanted to say thank you for your work, all of you. And I think your explanations today, Miss Beatch's, were just excellent and easy to follow. So thank you.

Mr. Wright: — Well hopefully, Madam Chair, they were explanations and not speeches. I know I have a tendency to go on and on. But on Meadow Lake it is very difficult, and we want all members to be aware of what we're doing as best we can within the confines of certain confidentiality agreements we have with Millar Western. But we're very open about this and seeking appropriate solutions, and suggestions are welcome.

The Chair: — Any other questions from members?

I have a couple of questions, and one of the areas that . . . one industry that's experiencing considerable losses right now besides the pulp mills is the hog industry, with NPD (National Pig Development (Canada) Co. Ltd.). And I have to admit that I don't know exactly what percentage of ownership there is in there, and maybe if somebody could enlighten me a little bit.

And also I know that there's an involvement with the

meat-packing plants, and the whole industry worldwide is in a considerable downturn, and the reports that we're hearing right now are having a major effect on farmers who are experiencing crisis in the other area as well.

So could you just update us a bit on what's happening in that area, and what your consensus is on the industry and the plants.

Mr. Wright: — Sure. I'll give you a brief overview and perhaps Ms. Beatch can follow in with some of the hard core facts on this. With respect to NPD, our National Pig Development Co., its name has changed. It is now Genex. Okay.

We took an extremely in-depth look at Genex in the last year assessing its business plans, assessing its go-forward strategies, and assessing, quite frankly, its value. We believe at CIC that Genex has an extremely bright future, not only here in the domestic market but also, because of the nature of the agreements relative to its former owners, it has an extremely bright future in the international marketplace.

Genex genetics are of course the best in Canada. There's just no question about that, and producing a very superior hog. Genex is not losing money. In fact Genex is making money, and we see again a very bright financial future. With respect to the ownership of this, perhaps Patti can speak to it.

Ms. Beatch: — Sure. CIC's investment in Genex — I have a figure here. This is June 30, '98, but it shouldn't have changed from December 31, '97. We have an investment representing 73.6 per cent of the common shares and 79.9 per cent of the preferred shares so we have a fairly significant ownership in Genex. As John described that that company is making money and we're pleased about that and have good expectations for that company going forward.

Other investments that you mentioned, Western Canadian Beef which the committee will be well aware that we now have entire and sole ownership of. Fortunately the beef industry isn't experiencing the kind of price declines that the hog industry is so that company is not being impacted in terms of market conditions as much as hogs.

The other is Intercon which also changed its name and its name is now Mitchell's Gourmet Foods and that particular company is of course quite happy, if I can use that term — that's unfair, not happy — in terms of the effect of hog prices on its operations and of course is enjoying the lower hog prices as it can secure hogs at a lower price and in turn, turn around and process them. So it's having actually a positive impact on Mitchell's Gourmet Foods.

Mr. Wright: — If I can just add to that, Madam Chair, in fact Mitchell's Gourmet Foods has added significantly in terms of employment over the last year as a result of the financial restructuring that we participated in as well and as a result of prices. It's not only very profitable, but also has a well-run management labour relations with significant new jobs. So that's been very positive.

With respect to Western Canadian Beef we've just recently, I believe, filed with the Crown Corporations Committee a

significant transaction report which details the wherefore's and the why's of our acquisition of 100 per cent of Western Canadian Beef.

Western Canadian Beef needs to undergo certain capital improvements and some slight restructuring, but the overall benefit of that is just tremendous. It goes well beyond just the Moose Jaw area. It floats into all parts of this province in terms of the cattle producers and so on and so on. So we're very positive about that and we see an extremely bright future for Western Canadian Beef as well.

So the long and the short . . . NPD or Genex is doing extremely well. The future is bright. Our \$10 million in Intercontinental, now known as Mitchell's Gourmet, is extremely positive and extremely bright. And our investment in Western Canadian Beef, we need to tweak a little here, tweak a little there, and we see a very bright future for that as well.

The Chair: — With Genex, you talked about the percentage of ownership. Can you tell me what the dollar value is?

Ms. Beatch: — Sure, I can.

Mr. Wright: — The dollar value, as Patti looks for it, will not be the market value. Okay? The market value, we suspect, is much higher and I'll just leave it at that.

The Chair: — It can be information I receive at a later date.

Mr. Wright: — No, Madam Chair, we have it here.

The Chair: — Okay.

Ms. Beatch: — The carrying value is \$4.6 million in Genex at year end 1997.

The Chair: — Is there also an investment in Thomson Meats in Melfort?

Mr. Wright: — CIC has no investment in Thomson Meats. I believe that's through the ag equity fund although I'm not certain about that.

The Chair: — The question that I have with the meat packers, and mostly Mitchell's Gourmet Foods, is the fact that right now there is of course an increase in the number of people working. There's a lot of hogs in the market, but the fear from the hog industry itself is that of course right now they're selling bred sows, they're selling every animal that can walk basically because they want to get out.

What's going to happen next year when the numbers are going to be down significantly and overall there probably is going to be a fear, and I've heard from probably the president of Mitchell's that their fear next year is being able to even keep their plant open because there won't be the numbers for actual slaughter.

Mr. Wright: — Well, Madam Chair, we have been in conversations with Mitchell's Gourmet Foods. They're concerned about the availability and the supply of hogs. I can't speak to perhaps what actions they may be taking, but we're

pleased that they are cognizant of this problem or this issue and working very aggressively with hog producers to overcome that. So perhaps in the weeks and months ahead we'll hear some positive announcements out of Mitchell's to deal with it.

The hogs are clearly . . . this is the very typical cycle that they're going through. It's a classic economic conundrum, which is when prices are low you get out of it, and then you hit a shortage or a supply problem, prices rise, then you add to the production, prices go down. It's a classic cycle.

Unfortunately it's a 30-year low cycle or a multi-year low cycle right at the moment.

The Chair: — The cycle isn't something that was expected by most of the big managers, at least not the time right now where it dipped so quickly after having quite a short high cycle. But I guess it's nothing that we can deal with or you can deal with as CIC.

I just have one other question on the film industry, the use of the tax credits that were introduced this year, the Hollywood . . . I'm just wondering if you could tell me anything about that.

Mr. Wright: — No, Madam Chair, I'm sorry. We're not into the film industry at CIC whatsoever, and the tax credits I believe are administered by one of the what we call the executive government departments, the Department of Finance, and . . .

The Chair: — So Hollywood productions doesn't have the . . .

Mr. Wright: — I'm sorry. CIC has no investments that I'm aware of at all. I would refer you to the Opportunities Corporation who may have made some investments there.

The Chair: — Okay. Thank you, very much.

Mr. Hillson: — Excuse me, Madam Chair, after he told us about all these good-looking people on the CIC staff, we assumed they would have something to do with the film industry.

The Chair: — Okay. If there's no further questions, we can deal with the recommendations that are here. I believe as the auditor went through, the auditor's department went through them, recommendations .11, .12, .13, I noticed compliance. Agreed? Compliance with those three recommendations? Agreed.

.20, I also note compliance, or progress towards compliance.

Mr. Shillington: — I think progress towards compliance, wasn't it? I'm not sure we've quite made the finishing line yet.

The Chair: — Progress. Progress towards compliance? Agreed.

Mr. Shillington: — I think progress towards compliance. I'm not sure we quite made the finishing line yet.

The Chair: — Progress towards compliance. Agreed.

.30 also, continuing to improve annual reports and the annual

reports of subsidiaries.

Mr. Shillington: — This one I thought there was more controversy on and I had a different suggestion with respect to this one, if I can. I didn't raise this in the general discussion because I intended to raise it here. I think it serves a useful purpose to have CIC here. We have a different mandate than Crown Corporations.

Nevertheless, where we are dealing with future policy and where the matter has been discussed in Crown Corporations as I believe it has, I think we should simply defer to the Crown Corporations. And I was going to, and indeed I guess will, note that the . . . Perhaps I will move:

That this matter be referred to the Standing Committee on Crown Corporations to examine the question of whether or not Crown Investments Corporation should provide a comparison of planned activities to actual results.

It is a complex matter involving the transition of these Crown corporations from monopolies to fully competitive corporations, and it may vary with different corporations. It may be one thing to ask the Water Corporation to do this maybe but a different thing to ask SaskTel to do this. And I know the matter's been discussed in the Crown Corporations. Therefore that's the basis of my motion that this matter, which is a matter of policy, should be referred to the Crown Corporations Committee for disposal.

The Chair: — On February 18, the recommendation 42 was that the Legislative Assembly refer the subject matter of the Provincial Auditor's recommendation to the Standing Committee on Crown Corporations for review and consideration.

Mr. Shillington: — My motion reflects that.

The Chair: — The motion . . . Are you going to write out the motion?

Mr. Shillington: — Do I have to . . . Pardon me?

A Member: — Why don't we just reiterate our position.

Mr. Shillington: — All right, that might be simpler. If there's no controversy on that. If there is I'll write it out, otherwise we can simply adopt the same motion again.

The Chair: — Then reiterating this position is agreed? Agreed. .37.

Mr. Shillington: — I think the same comment applies, Madam Chair.

The Chair: — So you're reiterating your position on . . .

Mr. Shillington: — Yes, reiterate our previous position.

The Chair: — Agreed? Agreed.

And then I think the last one is .35 is no compliance. Agreed? Agreed.

I believe that sums up all the dealings that we have with CIC. You're out early. We appreciate your attendance and your helpfulness. Thank you very much for attending today.

Mr. Wright: — If I may, Madam Chair, on behalf of all the CIC staffers, we do welcome the opportunity to be here. I hope we've been able to add some information to your human capitals so that you're more aware. We will indeed provide you with the 15 copies of the "International Investment Guidelines" which some may interpret as a bit of a policy on it. And we look forward to returning to you with no issues next time.

The Chair: — Thank you very much. Committee members, we have an hour and a half and speaking with Greg there's only one issue that . . . And I haven't spoken to the auditor so I don't know if he would even be available, but on Wednesday afternoon.

Mr. Shillington: — It's . . . (inaudible) . . . of us to ask the department to come early.

The Chair: — We've discussed that to some length.

Mr. Shillington: — Given their spirited response to coming at all.

The Chair: — So the only subject that it would be possible because there's no officials required would be one tomorrow from 2:30 to 3 which is SaskEnergy. Now if you want to consider dealing with . . . or Saskatchewan Energy and Mines, pardon me, Energy and Mines.

Mr. Shillington: — We might as well . . . My own view would be we might as well knock it off and then move the others up.

The Chair: — Or else even just allow more time for . . .

Mr. Shillington: — Or just allow more time as the case may be. Yes.

The Chair: — First of all, we better ask our auditor. Is he is ready?

Mr. Shillington: — Do you have your people here?

Mr. Strelieff: — I think we can handle this one.

Mr. Shillington: — All right.

The Chair: — Do you want to deal with it now or do you want a bit of a break? Deal with it. Okay. Let's go on then to chapter 7 of the *1997 Fall Report*, Sask Energy and Mines.

Mr. Hillson: — Madam Chair, do we have a brief break first? Everybody else is drinking coffee.

The Chair: — I asked and I thought I had a consensus. Are you ready to just let us go with it or do you want a break?

Mr. Gantefer: — There isn't even a recommendation.

The Chair: — There isn't even a recommendation.

Mr. Hillson: — Okay. Okay, thank you.

The Chair: — So the only thing we basically need is an overview of this chapter from the Provincial Auditor and our blessing. I will just go on to . . . (inaudible interjection) . . . Yes if you'll give us an overview of this chapter.

Public Hearing: Department of Energy and Mines

Mr. Strelieff: — Yes, Madam Chair, members, so this section deals with our '97 fall report on the Department of Energy and Mines. And you've chosen in arranging your agenda not to ask officials in so that you're not going to have a general discussion of what the department is up to.

The first part of the chapter sets out its responsibilities and the financial results over the last four years. It says that we're reporting to you that the department has adequate rules for its internal controls. That's paragraph .04.

The second point in paragraph .05, we also report to you that it has complied with the significant financial authorities except in our opinion with one matter that we've raised over the last number of years. And as you remember, that part of our responsibilities to you is to bring to your attention matters where we feel government organization has not complied with legislation. So in this case we bring to your attention a payment related to NewGrade that in our view has not complied with key financial legislation.

And in paragraph .12 to .15, we update you on what this committee has done over the past number of years. In '92, '93, '94, your committee asked that the remission on the natural gas royalties be included in the estimates for the Department of Energy. And then the past meeting in April of '97 your committee decided that the practices of the government as it relates to NewGrade was in compliance with The Financial Administration Act, 1993.

So we're bringing this to your attention once again because again our responsibility is to bring to your attention matters where we think there has been a non-compliance. We haven't made any recommendation because the state of this issue was dealt with by your committee.

And that's my overview of this, Madam Chair.

The Chair: — Thank you. Comments?

Mr. Thomson: — I guess on this particular recommendation, the issue of the NewGrade Energy item, I would simply suggest that we reiterate our position taken on December 13, noting that we believe that they are in compliance with The Financial Administration Act, 1993 as it pertains to order in council 7/89. And if necessary, I will so move.

The Chair: — I would think that maybe we should just take a moment or two, since I sprung this on the members, if they want to read anything else through for a second, just give them . . .

Mr. Shillington: — I remember this from my days as minister in charge of CIC. This is a bit of a Mexican standoff. The

department is of the view and they have a legal opinion to support it that this is a remission under an order in council, as I recall it. And they've got a legal opinion which supports that. The auditor has a well-thought-out position obviously.

And I concur with the member from Regina South. Yes, Andrew. There's not much point in exhuming this body and dissecting it again. And I . . .

Mr. Hillson: — Madam Chair, may I ask the hon. member what view he took when he was in opposition?

Mr. Shillington: — We took the same view as we did now, and that is that the original agreement which was struck was not a very happy one. However, we have lived by the agreement and we have seen this corporation . . . we've nursed this corporation from a basket case to a reasonably healthy financial company.

Since you ask, we sold the company at a profit, unlike the federal government, unlike the federal Liberal government, and the Conservative government of Alberta which bailed out on 7 cents on the dollar. We got a hundred cents on the dollar.

I'm not sure how much more information you want about this, but I can keep going for some time.

The Chair: — I was speaking with Greg. In the . . . (inaudible) . . . case, we don't even have to make a comment at all.

Mr. Shillington: — I was certainly prepared to, if members wanted, to make a comment.

The Chair: — Just to make sure that you're aware of it and we can say that it's been dealt with. So if there isn't any further comments on it . . . It was in our second report.

Mr. Thomson: — We never did review the 1989 statements because the Tories wouldn't bring them forward to committee.

The Chair: — We will now suggest that we don't have . . .

Mr. Thomson: — But I digress.

The Chair: — We can recess until 1:30. Unless anybody has any objections and want to come back to visit, we will recess till 1:30.

The committee recessed for a period of time.

Public Hearing: Department of Health

The Chair: — Good afternoon, members, officials. It's nice to see all the smiling faces ready to go to work. I'll ask the deputy minister, Mr. Hnatiuk, to introduce the officials with him today.

Mr. Hnatiuk: — Thank you very much, Madam Chair. We are indeed pleased to be here today to have an opportunity to discuss health issues.

With me today, to my left, is associate deputy minister, Steven Pillar; to my right, acting assistant deputy minister, Carol Klassen; executive director Rod Wiley of finance and admin; and director of integrated financial services unit, Barry Lacey.

The Chair: — Thank you very much, and welcome, everyone. Does the auditor have any new faces for us?

Mr. Strelloff: — Yes, I have two new faces. With me, to the left, is Mike Heffernan, who leads our work in Health; and over there is Scott Smith.

The Chair: — And welcome to you. Our chapter is on Health today. I usually ask the auditor to go through his report first and then we'll ask for comments from the deputy minister.

Mr. Strelloff: — Okay, thank you very much.

The Chair: — Oh, I apologize — I forgot to read the statement to the 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 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 questions put by the committee. Where a member of the committee requests written information, I ask that 15 copies of that information be given to the Clerk, who will record it as a tabled document.

And please address all your remarks through the Chair.

Mr. Strelloff: — Thank you, Madam Chair. And I'm going to turn it over to Mike Heffernan who's going to lead you through our '97 *Fall Report*.

Mr. Heffernan: — Thank you, Wayne. Madam Chair, members, I'll take a few minutes to lead you through chapter 24, then I'll be pleased to answer any questions you may have of me.

Paragraphs .01 and .02 briefly describe the department's mandate and its total revenues in spending. Paragraph .03 shows the total government spending on Health of 1.77 billion. Tables 1 and 2 on page 290 show total Health cost by program and total health revenue by source.

In paragraph .08, we identify key issues or risks facing the department. We think it's important that legislators and the public know the key risks facing an organization and receive information on how these risks are managed.

We think the department needs to: one, identify the public's health needs; decide what services are needed, make those services available and monitor how the services are delivered; influence public policy decisions and public attitudes in health

to improve the public's health and to control the cost to the health system; have sufficient resources to deliver the required health services; and ensure the Assembly and the public know whether the department's doing the right thing as well.

Rather than discussing all these key issues which would take a while, I'm just going to focus on the first one, which starts on paragraph .09 — to know what services to provide, the department must know the public's health needs. Assessing health needs is complex, obviously.

In addition, public expectations for health care are very high. The public tends to confuse health wants with health needs. As a result, the department must have reliable information to help it evaluate what the public identifies as health needs. The department has various forums for receiving and assessing public input. These forums include elected members of the Assembly, elected and appointed members of district health boards, many committees, and public meetings.

The department has taken several actions to identify the public's health needs. We describe these actions in chapter 23, Part D of this report in District Needs Assessment — Follow-up, which we will cover on Thursday I believe.

Paragraphs .27 to .29 set out our audit conclusions and findings and also set out the agencies that we didn't get audited in time for this report.

Paragraphs .30 to .36 note that the department needs to improve its service agreements with districts. The service agreements are adequate except they do not require the districts to report periodically on systems and practices they use to achieve the department's financial operation and compliance objectives.

In paragraph .35 we recommend the department work with the health districts to ensure service agreements require districts to report periodically on the systems and practices they use to achieve the department's objectives. Some districts have taken the lead on this and are starting to do this in their annual reports, for example, Saskatoon Health District. So we encourage that process.

Paragraphs .37 to .44 note that the department should receive and approve all district health plans before the year begins. The department approved the health plans for the year ended March 31, 1997 after June 30, 1996 — so three months into the year. However we note continuing improvement in the timeliness of the health plans year after year.

In paragraph .43 we recommend that the department work with health districts to ensure the department's timely receipt and approval of all district health plans.

In paragraphs .45 to .52 we describe how districts' annual reports do not adequately show program performance compared to plan. The department has issued guidelines for the preparation of district annual reports and we're going to discuss that again I think on Thursday when we cover chapter 4 of our *1997 Spring Report*.

Now the department is also doing other work to assist districts in reporting on their effectiveness and population and health

status. The department has prepared, and I think in part is also in the process of preparing, a framework to assist districts to select performance indicators to enable them to measure and report on their performance.

And our upcoming *1998 Fall Report Volume 2*, it will be published in early December, discusses our examination of this framework. And we hope that chapter will encourage other departments and agencies to follow Saskatchewan Health's lead in selecting performance indicators.

We also in this same part of the chapter found that several districts do not submit, did not submit their quarterly financial reports to the department on time. However, we note that the districts have significantly improved their timing and the quality of their quarterly financial reports. So in paragraph .52 we recommend that the department work with health districts to ensure they submit complete and timely performance reports. And we recognize that's a long-term process.

For paragraphs .53 to .60, regarding the department's internal financial reports, I'm pleased to inform the committee that this issue has been resolved and we no longer have the concerns raised here.

In paragraphs .61 to .65, we describe how in our opinion the department made incorrect charges to its appropriation. In our view The Financial Administration Act, 1993 allows the department to charge appropriations only for good and services it receives, and only when the eligibility and performance requirements are met.

The department paid 11.4 million to districts, and it specified performance requirements for the use of that money. At March 31, 1997 the districts had not spent 3.9 million of this money for the specified purposes. We think the department should not charge its appropriation for the 3.9 million until the districts use the money as the department specified. So in paragraph .65 we recommend that the department ensure it properly charges its appropriation.

In paragraphs .66 to .73 we describe how the department could improve its annual report for the year ended March 31, 1996. We think the report should explain the department's key issues or risks in achieving its objectives, and how it manages those risks. Also the annual report should show what the department owns or controls, for example, the infrastructure owned by health districts.

The annual report should state whether the department has achieved its goals and objectives. It also needs to set out the department's performance measures and targets.

In paragraphs .72 and .73 we recommend the department's annual report describe how the department manages the key risks it faces. And the annual report should show the department's performance targets and actual results compared to plans.

I'd like to now draw your attention to the La Ronge hospital starting on paragraph .74. For the hospital we report two issues. First, the board of directors needs better financial reports to safeguard and control the hospital's assets. And second, the

hospital purchased equipment without obtaining the Minister of Health's approval.

Starting on paragraph .87 we set out our conclusions and findings for the Uranium City Hospital. We report several issues here. Paragraphs .90 to .95 describe how the board needs to define its required financial . . . periodic financial reports. The board needs timely, accurate, and complete financial information to meet its responsibilities.

Paragraphs .96 to .99 show that the hospital made payments of \$5,000 for credit card purchases. The hospital staff was unable to find the file of invoices supporting these payments. As a result we were unable to verify that the goods and services the hospital purchased by credit card were properly authorized purchases.

Paragraph .100 to .104 show how the board pay and expenses exceeded authorized limits.

Paragraphs .105 to .107 show how the board did not submit to the minister the information required by The Hospital Standards Act.

That ends my comments on this chapter. I'd be pleased to answer any questions the committee may have.

Mr. Strelieff: — Thank you, Mike. Madam Chair.

The Chair: — Thank you very much, Mike. I'll ask the deputy minister if he has any comments before we go to the members.

Mr. Hnatiuk: — Very briefly. Thank you, Madam Chair. Actually we're quite pleased with the auditor's findings and report, and basically agree with most of the findings. We're particularly proud of the improvements made.

But I want to pay particular tribute to the Provincial Auditor's office for the kind of co-operative effort in which we've worked together with the Provincial Auditor's office. And particularly we've seen a tremendous improvement in the relationship between the Provincial Auditor's office and the district health boards. I think we need to recognize that.

Look forward to answering any further questions. Thank you very much.

The Chair: — Thank you very much.

Mr. Gantefer: — Thank you very much, Madam Chair. And welcome, Mr. Hnatiuk, and officials. Good to have you here for some time this afternoon.

I would like to focus on sort of a specific area and trust that my colleagues will focus on other areas. I think the areas that I'll focus on will have relevance not just in my specific area of the province, but also across the area.

Firstly, I would like to talk about the issue of the relationship between, I guess the right words is the tertiary hospitals in our major centres, Saskatoon and Regina, and the relationship with what I would call regional centres that I would define as the Battlefords, North Battlefords, and communities of that nature.

And as I understand it, in the whole evolution of where health is going, there's been some pendulum, if you like, effect. Perhaps I'm not interpreting it right. There was a time where there seemed to be a move that these would be regional hospitals in their designated right and that there was a designation of that sort. I'm not sure that that's the case any longer, although in a de facto way it seems to be happening by the nature and size of the secondary hospitals.

And what I would like to ask you about is the relationship between the tertiary centres, the large hospitals, in my experience — Saskatoon primarily; to a lesser extent Prince Albert and the Melforts and Tisdales. And I'm thinking about the following kinds of issues.

A friend of ours for example is receiving respite and really pain stabilization treatment at St. Paul's Hospital at the palliative care unit, and then is hoping to be able to move back to Melfort where that treatment can be continued and she would be closer to home. An example where patients receive very perhaps serious treatment and then are moved back to the other centres where the treatment can be continued and things of that nature.

And so what I'm wondering is, is what the policy and how the relationship is between the major centre hospitals and the regional hospitals in that acute care field.

Mr. Hnatiuk: — Okay. Thank you very much. Madam Chair, the question is quite an extensive and an in-depth question and I'll try to answer it to the best of my ability. I will probably call on my colleague, Ms. Klassen, to assist me in this response.

First of all the tertiary centres, Regina and Saskatoon in particular, attempt to have a very close working relationship with the other district health boards. I would put P.A. in that context as well.

That's witnessed for example by the outlying areas, in fact having a member from the rural area on those district health boards. For instance Saskatoon has a rural P.A. member on their district health board. There's a member from — I forget the community offhand — but from the southern community on the Regina District Health Board, ensuring that there is good communication with those other district health boards.

I think a second feature of the system is that the tertiary centre health boards actually go out to visit, and they meet with the outlying district health boards to talk about things like the continuity of home care programs and services. Because if people come into the large tertiary centre or urban centres for services, if there isn't a good discharge planning process, it ties up the resources in the tertiary centre. And if people are sent back to their home communities without adequate planning, this creates problems back for the receiving district. So certainly communication between the district health boards is absolutely critical.

I think a third feature is the role that the Saskatchewan Association of Health Organizations can play in facilitating communication and relationships. Now with the advent of Telemedicine and some other vehicles that we've put in place, we'll continue to facilitate those relationships to enhance them.

But I talked about some interesting developments. An example would be a new chiefs of staff organization where the chiefs of staff of each district health board have developed an organization so they can meet with the administrators of all of the district health boards to ensure that the resources are appropriately utilized so that those things that are first, are treated with first of all, and that the system works smoothly.

I need to say that from my year and a half experience in the health care system, looking at its complexity, I sometimes wonder how it works at all, given the management of the administrative side and the management of the medical side, and having 27 different autonomous professional bodies working in the kind of system. It is quite amazing that in fact it does work.

The other things that I think happen is in terms of the longer range planning. For example we now have physician planning that's being done on an area basis where about 100,000 population, as represented by the various health boards, work together in consultation with the Saskatchewan Medical Association, the college of physician and surgeons, ourself, and SAHO (Saskatchewan Association of Health Organizations) to plan physician recruitment and retention. And that is how it is that we would together ensure that the appropriate mix of general physicians, specialists, are attracted, recruited and retained to ensure that there is a balance of services.

But having said all of that in Saskatchewan I think we still have some particular attitudes about what is offered in large urban centres, what's offered closer to home. And for many people — I include many of my relatives that live in rural Saskatchewan — there is an attraction to Regina and Saskatoon where there are more specialists, there's bigger hospitals, perhaps newer equipment; and the belief again because of the Royal University Hospital and the College of Medicine in Saskatoon and the additional facilities and services in Regina, coupled with the fact that many people's children live in the urban centres, it is easier now to get services. So there is a natural migration towards the urban centres for these kinds of services.

But those are some of the vehicles and mechanisms that are used to facilitate a close relationship between tertiary and the other centres.

Mr. Gantefoer: — Thank you. I wonder as well, one of the . . . as I understand it, there is in addition to the basic funding that's provided to all the health districts, that there is a mechanism for the dollars to follow the procedures or the treatments in some way that makes an adjustment factor plus and minus.

Certainly I think the feeling is in many of the rural centres that this is going to result ultimately in fewer and fewer services being able to be offered in rural Saskatchewan. And the ultimate result of this policy is going to be in time, that as the funding diminishes because services are perceived at least to be moving into the larger centres, and if the funding continues to then migrate in that same direction, that ultimately less and less will be offered and it will just become an increasing problem.

Has there been an analysis of how this funding is following procedures and the impact it would have on rural health centres?

Mr. Hnatiuk: — Madam Chair, the question is one that again is a very interesting question. It becomes sort of a Catch-22, six of one, half dozen of the other kind of issue.

In Saskatchewan, as in Canada, because of the Canada Health Act, people are free to choose where to get their services. So if you don't have a distribution — a formula — to distribute the resources that recognizes what in fact happens . . . that people migrate to different centres for services. But if you insist on funding certain kinds of structures and programs and services in one place, no matter what happens with the behaviour of that community, then what you will find is that you will find some places with absolutely inadequate funding and over-resourcing in another area.

The funding model that we've developed is called a needs-based funding model and I'm going to ask Ms. Klassen to demonstrate or to simply describe that model in a second. I do want to say however that the funding is adjusted and I think that we continue to do the kind of planning on a regional base that we're doing. For instance, for physician recruitment, that we can balance out the system over time so that if there are physicians and certain kinds of specialists in what you would refer to, sir, as regional centres, then people would get their services there.

However it's not just an issue of recruitment and retention. For certain specialists they need a certain size of population, a certain number of procedures, a certain kind of equipment, and other peers to work with to be able to perform their particular professional function in a particular regional centre and they need to have enough of those kinds of cases.

So because of demographic changes, essentially an overall general urbanization of our population, an aging of population in rural Saskatchewan, we have growth centres and we have centres that are decreasing in population. Those trends will impact where people go for services and who it is that we can attract. What we're attempting to do is to build a very strong emergency response system. We're trying to develop a very strong primary-care services system so that the kinds of things that used to be only done by primary care physicians or a typical rural family doctor can now be shared by a team of professionals, for instance a primary health care or nurse practitioner, a family physician. And hopefully the physicians will practice in a sufficient number of groups so that we can put those services in on a regional basis.

But I think I would ask Ms. Klassen to describe the needs-based funding formula that we have developed and that has been copied in large part or is being examined by a number of other jurisdictions. What we're hoping to do is continually to look at it being responsive.

We also involve the deliverers of services in what we call a funding users group to continually review and examine the distribution formula that we use to ensure that some of the issues that you raise are being addressed.

Carol, I wonder if you would just very quickly describe the needs-based funding for him. I'd attempt to do that but she does it much better than me.

Ms. Klassen: — I'll just briefly add, I think Con has provided the context in terms of the funding, that district health boards receive about 80 per cent of their funding through a population needs-based funding mechanism. The remaining 20 per cent is a more traditional historically based funding mechanism.

Of that 80 per cent, there are really three very broad global areas that are funded: one is hospitals or acute care; the second is long-term care or institutional supportive care; and the third is home care. The two pools around hospitals and long-term care do have, as you refer, an ability for dollars to follow people and where they seek services.

Quite simply, how the funding mechanism works is it looks at the age and gender characteristics of a population and then adjusts it for the need of that population and then it does recognize where people are going seeking services. And in the case of long-term care it does add a revenue adjustment because it's an income tested revenue mechanism that we have in this province.

What we learned through the long-term care nursing-home funding is in fact when we introduced this funding to this point, we've actually seen more services provided closer to home. It's actually provided an incentive to provide services close to home.

On the hospital side we're talking not about community-based services like primary health care, or mental health, or services that typically we refer to as primary health services. We're talking typically about in-patient procedures and surgical procedures. And for those procedures we do then take into account where people are seeking services, and the dollars in the sense of the relative-weighted cases, a proportion of funding is provided to those locations where people are travelling.

The trends that we've observed with respect to where people are going for acute care service have not dramatically changed, but we've seen some slight improvements in terms of some of our larger centres actually having an ability to provide more services closer to home as they work in co-operation with surrounding district health boards, physicians, and other health care providers.

Mr. Hnatiuk: — Madam Chair, just a supplementary comment is that the majority of people in Saskatchewan, in other words 93 per cent can access services within 30 minutes. If you take that up to 40 minutes, 97 per cent of the population of Saskatchewan has access to services within 40 minutes — 97 per cent. Now that in fact creates quite a challenge for the province who has this incredibly large geography with a large percentage of the population in the southern part, sparser population throughout the rural and the northern parts, which maybe accounts for us on a per capita basis having for instance more hospitals than other jurisdictions.

We still have 74 hospitals in the province of Saskatchewan for a million people. If you take any community of a million people — now obviously if you put them close together it changes the dynamics of that — but if you look at any population of a million, 74 hospitals is a lot of hospitals. So we do have a distribution challenge. We have an access challenge because of our diverse geography.

Mr. Gantefer: — Thank you. I would like to point to a couple of programs that I think are very, very positive in my area that I think to some extent are offered in others as well and that is cataract surgery that's offered, and renal dialysis. In the case of the cataract surgery, a specialist comes from Saskatoon into the local health district, invested in equipment I believe, and they're offering the program.

Initially it was moved forward enthusiastically with a little waiting list but now it almost seems to be bogging down just like the service in the city are because you end up with waiting lists occurring. And you know that always sort of confuses me if you either need the procedure or you don't and I'm not quite sure how it saves money to put it off.

There are some concerns in terms of the fact that the recognized — and I may not understand this completely correctly and that's why I'm asking the question — that the recognized cost of the procedure covers what the specialist's billing is but it doesn't reimburse the health district for the additional support service that's given by the health district to provide the service.

And so they're concerned that as more and more people come from outside the district, the local district actually in a way indirectly is subsidizing patients from outside because the costs aren't appropriately recognized. And I don't understand the details of that. But I wonder . . . the question is basically are those kinds of issues being analyzed and looked at? And is there a mechanism in place so that those concerns are funnelled through your department and then say well this just doesn't make sense. It would be more sensible to recognize an additional hundred dollars or whatever so that some of these regional centres could actually help with the backlogs that occur because they're underutilized.

Mr. Hnatiuk: — I'm going to ask Ms. Klassen to make some additional comment. But first I think one of the positive developments more recently is that we've had more itinerant services, in other words specialists going and providing services, like you described, at regional centres.

I think that the other thing when we use the example like ophthalmology we actually do more cataracts per capita or by virtually any measurement to anywhere in Canada. Now that's partly a function of an aging population. But a few years ago cataract surgery had a fair amount of risk to it. It has virtually no risk. It's a much easier procedure. The number of procedures that have changed and with the advent of science and the tremendous development that's going on, it's changing the nature of what can be done where. So there's much more of a distribution.

And I'll comment further a little later on if I have an opportunity regarding exactly the number of procedures of work that's done in Saskatchewan, for instance this year versus five or six years ago, around surgeries and day surgery, cataracts, hips, and knees, etc. But to your specific question about the funding and the additional costs of support services, it is recognized in the funding formula. And Carol, maybe you could just expand on that please.

Ms. Klassen: — I think if I could just add we fund based on the population and the typical services that that population would

use. So in the example that you described where a hospital begins to provide services that they haven't provided before, we would recognize in fact that those dollars no longer are moving to another district to provide services for that population as perhaps they were provided five years ago, for example.

So the dollars do move. There is a time delay because of the statistical nature which we have discussed with districts. Districts plus CEOs, administrators, plus some board representatives, are a part of the funding user group which Con referred to earlier which will raise issues. We've talked to them about doing some retrospective adjustments. They've preferred not to do that because similarly when a service departs we don't immediately withdraw the funds. So if a service was discontinued because your general surgeon no longer is in the community, similarly we don't . . . there's a time delay in terms of sort of the transition happening.

The other thing that I might sort of just comment on is you identified cataracts as well as renal programs. I think there're two good examples where technology today enables us to look at how we provide service in a different kind of way than historically we could. And we continue to look at opportunities of how we might do that and where we have identified need that would make a program cost-effective.

Mr. Gantefer: — Thank you very much. The other area in a regional level, and I would like an update on that if I could, as you are aware there were I believe four regional long-term care hospitals in Saskatchewan, one of them being in Melfort. And there is an evaluation that has gone on in terms of replacement of the capital project. And now I understand there are discussions about the funding formula and if the standard formula applies given the fact that these were regional centres that were solely owned by the province of Saskatchewan rather than the district health board.

And I don't want to upset the apple cart, but I was wondering in terms of an update are these discussions ongoing in terms of trying to arrive at a satisfactory funding arrangement for these particularly four centres? I believe two are potentially moving forward a little quicker and two that are involved in extensive renovations.

Mr. Hnatiuk: — Yes, you're correct. There are two that are going to be regenerated and two that are going to be replaced out of the four in the province. The discussions are ongoing. We are making progress. The funding formula that you're referring to is the 65/35 split, where the government provides 65 per cent, and the community raises the other 35 per cent. Those particular communities that have regional care centres argue that because these were provincial resources fully funded that there should be a different kind of formula. And we're currently having discussions about all the options available to manage what they perceive to be the gap in their ability to fund these.

We're quite optimistic that we're moving forward, and that both the regeneration and the replacement will occur. Planning is already continuing. And I think that we'll see good progress in the next while on all four centres.

Mr. Gantefer: — Thank you. One other issue that is a bit timely I think is the . . . not very long ago there was a major

drug seizure in Saskatoon, and one of the comments that were made, that I caught on, on the news and it may not have been . . . I may have not caught the whole thing, but there was a concern expressed by the police officer that there might not be tight enough controls on prescription drugs. And I believe Ritalin was the drug that was mentioned. And I wonder if that has raised some concerns? What the checks and balances are to recognize what at least I understood to be a concern raised by the law enforcement officer in that regard?

Mr. Hnatiuk: — Well we do attempt to monitor the whole prescription drug plan program. And so if there are anomalies in the granting of prescriptions or the coverage of prescriptions under the various income support programs, we do have an opportunity to go in and audit and take a look at these.

In my experience in public service virtually whatever system you build, if someone really, really wants to abuse the system they'll likely find ways to do that. There is such a proliferation of drug treatment and therapy today that we need to continually be vigilant. And more recently, I know you'll have seen in the press, that there are more prescriptions being written. Now that's because there are more drugs on the market — many more choices, more availability.

Obviously physicians want to do the very best that they can for their patient. And the public demands and the physicians wish to provide the very best services. Also with an aging population we probably see that there are more drugs being used by that particular cohort of people in our province.

I think that the other issue is that over time we've discovered that there in fact are problems in our communities around issues like fetal alcohol syndrome that we've only begun to understand, which has affected the behaviour, for instance, of children. And there's been an attempt to then control these through various means, including prescription drug.

So yes, there are monitoring systems in place. We continue to meet and discuss these issues with the pharmaceutical association. And I think we do have one of the better systems in Canada to monitor what happens in our prescription drug program. But in that particular case — I'm not familiar with all the details — I vaguely remember that there was an issue in the media about the situation that you reference. And I can't comment further than that on that particular case today.

Mr. Gantefer: — Okay. Thank you very much. Thank you, Madam Chair.

Ms. Stanger: — Oh, I'm next. Well, I just wanted to say that I guess I wouldn't have to tell you the extended services there are in the region that I live in that weren't there five, six years ago — they just weren't there.

I mean, we have cataract operations in Lloydminster, we have renal dialysis. All over the district we have respite care, extended home care to a great deal, emphasis on counselling for teenagers. We have palliative care, foot clinics. We have high blood pressure clinics. We have extended physiotherapy. Those are just . . . I'm not even naming a quarter of the more services that we have for the people that live in our area.

What I see is not as much problems in our area because we are densely populated. If you look at the constituency of Lloydminster, 17,000 people, and you look at some of the other districts in the province or some of the other constituencies, they are far, far larger. So the problem that I see in some of the areas is where there's a sparsely populated area. I think that that's where you're seeing the problems.

And I wonder if Con or Carol could comment on that and what you are doing to try and . . . I know you mentioned the emergency services. But I think when you get a sparsely populated area, you're going to have problems to attract physicians, specialists. And when you look at the south-west for instance, that's an example because it's depopulated. When you hear some of the stories in the legislature, it often comes from areas where it's a sparsely populated area.

And I don't see the problems. I'm not saying there aren't any problems in the health system in our area. Of course there are because the health system is run by people. People aren't perfect. And not only that, we haven't got the answers to everything in this government nor will any other government. But we're trying our best.

But I'm saying I see a big problem in the sparsely populated areas.

Mr. Hnatiuk: — Sure, Madam Chair, the challenge of providing health care services to remote and rural areas is a challenge for this entire nation. And this challenge has been exacerbated by the decreases in funding through the Canada Health and Social Transfer. It's one of the reasons that all provinces are asking the federal government to increase and restore funding to the Canada Health and Social Transfer.

Because if you have limited resources available, you then have to make the best choices that you can. And it begins to affect things like accessibility both in terms of time and proximity to services. Now we've attempted to deal with that issue, and obviously we're not perfect. We've got a long way to go.

But one of the initiatives that we undertook was to train first responders. And we've trained 1,550 first responders to recognize the sparsity and to create some additional resources in these communities.

I think that the second issue is the entire issue of developing and building a primary health care system where it is possible to serve remote and sparsely populated areas with the addition of nurse practitioners and having physicians practise, not as solo practitioners but out of an immediate centre — however we may want to describe that — in particular groups say of three or more, so that they can manage to cover off services, the weekend services, and still have a quality of life.

Because one of the reasons that people are not attracted to come and practise there is the price that they pay in respect of their quality of life. They never get any time off; they're on call all the time. It's very, very difficult.

I think that the other things that we've done in terms of the community-based services, really we've attempted to have a community development kind of process where communities

can work together to identify those unique needs and so that not every community or district has to be exactly the same as any other community. So respite might be a greater need in one district health board than in some other district health boards, so they would build and look at unique kinds of respite.

I think that the other issue, and we've just begun this in Saskatchewan, and that's integrating services better between Health, Education, and Social Services. So we don't look at services just in stovepipes. So it isn't just a Social Services department; or for the education, the school board; or district health boards; or other agencies providing services without working together with one another. And I think that would facilitate . . . Integration I think is a critical issue to improving services for those kinds of areas.

I think the other is the advent of Telemedicine. And I don't believe we've begun to yet fully utilize that tool that will be available to us. So that whether it's a nurse practitioner or a physician, or any other service, a home care worker, they would be able to have access for backup and for support, for training and education from larger centres or other services to enable them to provide those kinds of services in the rural community.

We're extremely worried, of course, by what's happening in rural Canada right across the piece. And I've seen an article recently and some documentary, I believe was on CBC, (Canadian Broadcasting Corporation) where they describe with . . . I think accurately describe the depopulation of rural Canada, and in fact what impact that's having on public policy and the delivery of services in our country.

Ms. Stanger: — Just a short supplementary. Does the Health department have any control as to the education that health districts provide, and how they oversee scheduling of physicians, and who's on call, and who's available if there's an emergency, or the doctors' understanding when there's air ambulance and things like that available? Do we do any of that? Do we oversee it or is it the district that's responsible for all that information?

Mr. Hnatiuk: — The district is responsible for managing that. What we've tried to do is to be facilitative and helpful for the districts to manage that. And we have now got about \$7.5 million of variety of initiatives for the recruitment and retention of physicians through a number of programs.

We have an emergency room coverage program — that costs about \$5.5 million a year — that facilitates providing coverage for emergency rooms in rural districts.

We have a weekend on-call relief program. It provides about 1.3 million to provide relief coverage to rural communities with fewer than three physicians. So there is a roster of urban physicians that are willing to provide this coverage. It has been developed to support this program. So urban physicians go out and actually provide cover-off services.

We have a physician recruitment coordinator — a joint project between the College of Medicine, SAHO, and the Department. It's funded through SAHO. So there is a coordinator that's serving all of the district health boards to help them recruit.

We have rural practice establishment grants. It's a grant of \$18,000 available to Canadian trained physicians that establish new practices in rural Saskatchewan for a minimum of 18 months. This will be an ongoing program. It's assisted in the recruitment of 23 new physicians to rural Saskatchewan. We think this has been quite successful.

We have a medical resident bursary program. It was introduced in June of '98 and provides bursaries again of 18,000 to family medicine residents. We graduate about 24, 25 family medicine folk in Saskatchewan each and every year. In return for the assistance, applicants must agree to a rural service commitment.

And we have an undergraduate medical student bursary program. It's an annual grant again of up to 18,000 to medical students or residents that sign a return service agreement to serve in rural Saskatchewan. I think the total of this is about 7.5.

There are a number of additional locum service programs, looking at alternate payment systems. So that for those physicians that would wish to go on, where we encourage a kind of primary care system, we can provide them income not on a fee for service but on a salaried basis. I believe it's about 20 per cent of our physicians are now on alternate payments and not on the fee for service.

Have I got that right, Carol? A little less than that. It's just under 20 per cent, I believe. But we're moving . . . each and every year more and more people go to an alternate services payment.

We have a northern medical services. It's a tripartite endeavour of Saskatchewan Health, University of Saskatchewan, and Health Canada to ensure stable physicians in the North. And this was recently expanded to include La Ronge.

We operate a rural travel assistance program and a rural extended leave program. And again with the development of information technology this would be further enhanced.

Now how do we better coordinate things like scheduling, who's available, what resources are available, where — there is some work yet to be done. And we're hoping to do that in concert with the various district health boards and the Saskatchewan Association of Health Organizations.

Whatever tools we can provide to district health boards to manage better, of course should enhance the quality of services in the various communities.

We have published a number of policy directions and done a fair amount of work providing overall guidelines to district health boards and to health professionals to help understand these issues. And I'd be pleased to make those available, just demonstrate what those are, and if the people are interested we'll make them available to committee members as well.

Ms. Stanger: — Thank you very much. Good answers.

Mr. Hnatiuk: — You're welcome.

Mr. Koenker: — Yes, Mr. Heffernan had identified in 24 .09 the matter of the key issue being the identification of public

health needs and then went on to comment of course on the fact . . . 24 .10 comments that the public tends to confuse health wants and needs.

And I think for example of the issue of generic drugs and the costs associated with them. And I'm wondering if you could share with the committee any . . . just sketch the waterfront of some of your initiatives to help the public separate wants from needs.

And you might want to make specific reference to the cost of generic drugs. Because my understanding is that there can be factors of . . . the generic drug can be 25 per cent cheaper, 10 per cent cheaper, maybe even 5 per cent cheaper than the brand name drug. But I might feel I have to have this particular treatment or this particular surgery or this particular drug.

How do you meet this key issue that the auditor's office identifies for you?

Mr. Hnatiuk: — Let me see if I can answer that, Madam Chair, in reverse order — your last question first, because it's the one I remember the best.

In respect to the cost of drugs, and generic versus brand name drugs, there is severe limitation imposed by the federal legislative changes that were made I believe three or four years ago now — I forget the exact date — whereby drug companies have been given the patent protection. And this has prevented generic drugs which are cheaper from coming on the market.

I think that the other is, is that the proliferation of drugs, for instance for multiple sclerosis, for Parkinson's, for Alzheimer's, many of these drugs and therapies are related to an aging population. So there's a lot of motivation if there's more aged people for drug companies and researchers to in fact look at these areas and produce products to address the needs of an aging population.

We also live in a very global environment so that when we tune in our television or read the papers, we see the latest that's available somewhere in the world. And standards differ across the world, so often something that's approved in the United States may not yet have passed approval of our health protection branch in Ottawa by our federal government.

That does not lessen the demand for product and currently there's a fair amount of controversy around the health protection branch and whether or not they approve drugs quickly enough or not quickly enough, and whether they're subjected to certain kinds of other societal pressures to make decisions which may not be purely made on evidence. So that debate continues to rage on, again enhanced by the readily accessible information on the Internet for example.

You can pick up all kinds of Web sites and health information; and in fact making doctors visit through the Internet by going to a particular Web site and getting medical advice from someone in respect to virtually any condition or disease. So the world has changed very, very dramatically.

Obviously contrasted against all of this is our ability to sustain and fund what is a very good health care system in Canada. And

I say that on the basis if we look at the United States, our neighbour to the south, each and every month about 125,000 people are added to the rolls of those people who have no health insurance because of the two-tier health care system.

But secondly, in U.S. dollars, the cost per person being spent by the U.S. government is about \$3,700 per person per year whereas our Canadian costs are about \$2,000 per person per year — and that's in U.S. dollars. And yet there is 40 million people, growing by 125,000 each and every month, with absolutely no health care coverage.

So because health care consumes such a large proportion of our expenditures in each and every jurisdiction and because it affects every one of us and because we have historically defined health as being hospital services and doctor services, we have not yet redefined health in our culture and our society to really mean well-being. Health still means a curative system, it means a restorative system, it means those things that relate mostly to surgeries, acute care, emergency, trauma, so on and so forth.

What we do know is that over time we're learning that there are many preventable diseases. And the real efficiency, although I agree with you that there are efficiencies and effective . . . or efficiencies primarily in going to generic versus brand name drugs as an example, even if the savings are minor, across the kinds of budgets that are spent on these products, that in fact the savings could be quite substantive.

But in fact the bigger savings lie in other areas — in good, healthy lifestyles, in preventing fetal alcohol syndrome, addressing the issue of lifestyles around things like smoking and drinking.

A great example is the use of seat belts. You know there was a tremendous amount of controversy in our country and in our communities about the use of seat belts. There have been tremendous reduction of health care costs because of what seat belts have done in preventing and limiting injuries as a result of car accidents.

So I think that what we need to continue to do is to look at what kind of protections are offered around drugs. We've recently released a high-cost drug task force report that dealt with how our formulary works, how our approval system works, and the kinds of improvements that we can make. And that was released by the Minister of Health just, I think, about two weeks ago.

So we're very pleased that the kinds of things that we're doing have been affirmed to be good. There's some very good improvements that are being suggested in terms of transparency and public information and knowledge and feedback to consumers, which would help people to understand why it is that we need to take the kind of care.

Well just one more final comment in respect to drugs and these kinds of therapies. Oftentimes what we think is good today turns out to be very bad for us tomorrow. A good example of that is blood, and what we believed to be a very good thing to be doing in providing blood to people, we've now discovered after a number of decades the blood is perhaps the most dangerous drug that we could possibly administer. And so there was a very good lesson for us.

There are other examples of reactions to vaccinations and immunizations. So science is never finished and you can only make the decisions based on the best evidence that you have today.

I want to go back to your other question about separating wants and needs. That is perhaps the most challenging issue to address. I can describe some of the things that we're attempting to do in Saskatchewan. We do have prepared and are working with district health boards on looking at strategic approaches for health needs assessments through a variety of working with health professionals and groups, through education programs, and through workshops.

We have a series of modules that are being developed and I'll give you an example of the kinds of things that we're doing. We've run a number of these through October and during this month in Yorkton, La Ronge, Prince Albert, North Battleford, Estevan, Swift Current. And some of the modules that we use are modules called "Building capacity for needs assessment," "Accessing and using alternative data sources," "Mobilizing community participation," "Setting priorities for decision making," and "Evaluating the process."

The program planners, coordinators, district managers, physicians, and health care professionals across the board that participate in these to help continue to develop and refine the approaches that we have for understanding what is a need versus what is a want. I'm not sure that we'll ever get down to being so clear about the difference between needs and wants, but very clearly the more information the public has, the better educated our consumers and public is.

And I believe this has to start with our children in terms of lifestyles and how we use drugs. And any time you put anything into your system, there is a risk to it. And we need to question how much risk we're willing to take and on what basis we are doing certain things about our health. This is simply a continuing piece of work that needs to be done.

I think in addition to that is investment in research and development and ensuring . . . One of the roles that we've asked our federal government to play in an enhanced way is to play a stronger leadership role in research and in development. And it's this area that . . . The federal government is not able to deliver services. They're not here; they're not at the community level. We'll do that. We'll do that through adequate sharing of funding and resourcing of instruments like the Canada Health and Social Transfer.

But we really need the federal government to assist this nation in enhancing research and development; secondly, in ensuring good protection through its health protection branch and surveillance of diseases and whatever else is happening in the development of medicine.

And thirdly, in helping us in areas like education and recruitment across the piece of all the health care professionals. So I wish I could give you a very concise and simple answer to what you pose as ongoing, both a philosophical, a scientific, and an operational question in terms of separating one.

Mr. Koenker: — Madam Chair, I just have a couple of short

little follow-ups.

You referred to public understanding of the wellness model. Do you have a comfort level in the department with the level of public understanding and subscription to the wellness model? Or do you think you . . . or do you have some discomfort that we still have a long way to go in terms of educating the public in this regard?

Mr. Hnatiuk: — Madam Chair, do I have confidence in the wellness model? The answer is . . .

Mr. Koenker: — Comfort, not confidence. Do you have a comfort level with the level of public understanding out there?

Mr. Hnatiuk: — Okay. I have comfort and confidence in the wellness model. I do not have comfort and confidence in the level of public understanding. We have got quite a long ways to go.

One of the problems that we have, and this is right across this country in every jurisdiction, is that at the same time that we started to use new evidence and understand how much we were spending on health care and where we wanted to go in terms of elevating the health, making everyone healthier and living a better quality of life in our society, we were faced with very difficult fiscal circumstances.

So people have become confused about whether we were implementing a new model of health care, i.e., whether you call it well-being or wellness or a reformed model of health care, and every jurisdiction in Canada is doing it. Much more decentralization in terms of citizen participation, demystifying the process, marshalling resources at the community level to address those societal problems that lead to health care costs. We're doing all of those kinds of things.

Unfortunately we started to do them at a time when we also had to reduce our expenditures in a very drastic way. So we got the message confused. So the message about a closure or a downsizing or a reduction to access became almost a comment on the wellness model. And so people started to interpret, well, wellness is this. It's closing my hospital, it's reducing access, it's having a nurse practitioner rather than having a physician. That's not what wellness is all about. Wellness is really all about an adequate level of income; it's elevating the health of the entire population.

Now what we will be doing in Saskatchewan this coming year is we will be serving the entire population to establish a benchmark for how well our population is, how healthy are we in terms of a whole variety of factors. And we're doing this in conjunction with the university. And we will do this at regular intervals to decide so that we can have an informed debate and know whether the resources that we're expending is in fact having an overall impact and effect on the overall health of our population. Now that's the overall health.

Then there are unique needs. There are new diseases that come around, there's some old diseases in which advances in science are made. And we'll have to make decisions about how much you can invest from the available resources to improving everybody's overall health versus how much you invest, for

instance, in vaccinating people against cancer. That's the most recent development that comes to mind.

The development in Alberta where a scientist has experimented with mice and it's showing some very promising results and they're about to inject human beings with this particular virus — I forget the name of it — which in fact kills cancer cells. That would be an incredible breakthrough in that field, but I'm sure it will not be cheap as many other of the advances.

So we're always competing for how much can we spend and how can we inform the public and deal with those issues that contribute to our non-well-being or to our lack of good health versus how much we spent on the curative system — fixing the problems that confront us each and every day. And of course we all want to live longer and we want to be more active. We have an ageing population. This will continue to consume more and more resources.

So not only are there very difficult scientific and operational and financial questions to be raised, but there are very many difficult ethical questions to be raised. And those debates and discussions have not yet occurred in Canada. They've happened in some other jurisdictions — in Europe and some states in the U.S. — but we've not yet had that kind of debate in Canada.

Although more and more . . . And I'll give an example of where ethics come into play. The new Canadian Blood Services, the board that's been developed by all the provincial and territorial governments to run the Canadian blood system has on its board of directors, an ethicist. So we have some initiatives where we're discussing with the Catholic Health Council and the district health boards and some of the tertiary centres, developing an ethics component within our decision-making process in our health care system.

So science, ethics, cultural values, fiscal capacity, all come to bear in terms of what kind of system we're going to have.

Another really good example that relates to the question you raise is sort of related to drugs but it's the whole business of would we expand onto drug programs and plans vitamin supplements, herbs, that reflect the various different cultural aspects in our society? And that's another issue that's going to confront all of us in Canada but how far do we go? What is the evidence that supports?

So you may have evidence supporting that — and I don't mean to single this one out — but let's say: shark cartilage can do wonderful things for certain kinds of diseases. And the public believes that that's the case because either they're convinced by something they found in the Internet or somebody's experience, real or coincidental, or something that they've seen in a media program or somebody who's done a really good job in marketing this product. Would we then put this on our drug formula, or would we pay for it with public dollars or not? And where do we draw the line, how far do we go? are ongoing challenges to the health care system.

Mr. Koenker: — I just want to thank the auditor's office for this section of the report. I think it's very helpful and say to the Chair that I will defer to colleagues. I still have more questions. If there's time left, I'd like to be put back on the list.

Mr. Thomson: — Questions arising from the deputy minister's comments over the last . . . during this discussion. And I guess they really fall into three different areas, so maybe I'll just start with the one that you brought up first and that was the question of district prioritizations for funding — respite care versus acute care services. How is that currently determined?

Mr. Hnatiuk: — Well Madam Chair, I was hoping not to raise more questions but I'm pleased to try and answer that one. I'm going to ask Ms. Klassen to answer again because it relates to the funding formula and how we proportion money between respite, for instance, and community-based services versus acute care services.

Ms. Klassen: — Districts receive global funding for the population needs base funding which represents about 80 per cent of the funding. In addition to that, as I mentioned, there's 20 per cent funding that relates to community based services predominately plus there is home care funding within the population health funding.

The districts have flexibility to do a needs assessment, determine priorities. Obviously they need to meet the regulations and standards and requirements to ensure consistency across the province. But with respect to setting priorities, they do need to establish that at a local level based on the information that they have both in terms of data as well as public consultation as well as the programming that they have in effect.

As a district, then, they are able to make decisions with respect to where they allocate resources within the framework of the province. So in other words they do need to make sure that they do so in a way that is consistent with the requirements or standards that we have for those programs.

But respite, palliative convalescence — we see a tremendous increase in those programs in response to an assessment of needs of the community. Whereas in other communities with very young populations, we may see more emphasis in terms of youth programs, programs that run . . . sort of teens and working with schools, the education system, etc.

So they have flexibility to establish priorities. When they deliver programs they need to be consistent with the standards. There is a restriction with districts to move community based into the hospital-based funding, but essentially most districts are looking in terms of community based as the primary area of expanding service.

Mr. Thomson: — So with the exception of standards, it would be fair to say that the funding is basically provided without strings, except in two discrete envelopes — needs based and then community based.

Ms. Klassen: — I would describe it a little bit more broadly in the sense that the districts have a global funding allocation. Within that, they need to do the needs assessment. And other than the hospital . . . other than the community-based. So in addition to the population-based funding, as home care funding they could not take home care funding and instead determine to provide in-patient surgeries for example. We don't find that typically to be an issue because in fact the program areas that

typically are high needs as they do the needs assessment tend to be community based.

So I would say yes to your question, but within the population needs-based funding, there is a home care program that is funded as well.

Mr. Thomson: — Okay. In terms of the services that are funded, perhaps you could just bring the committee up to speed in terms of what's happened over the period of health care reform in terms of, particularly, the surgical procedures. Do you have any statistics on that?

Mr. Hnatiuk: — Sure. I'll just very quickly give you some information. Since 1991, investment in home care's increased 116 per cent. So there's a 62 per cent increase in home care, or 8,700 more residents are receiving home care today than they did in 1991.

Just some other interesting statistics. Each and every day 35,000 residents are served in Saskatchewan. Every day 15,000 see a family doctor or a specialist; 4,300 receive emergency or scheduled care; 200 use emergency road ambulance; and 6,200 benefit from home care. Nursing homes care for 9,200 residents each and every day.

In '91-92, there were 86,476 surgeries completed in Saskatchewan. And by '96-97, the number increased to 87,377 — approximately 240 surgeries a day. Now during this same time there are other changes that have occurred around the volume of high-demand surgeries. Hip and knee surgeries have increased 30 per cent to a total of 1,850. Cataract surgery has gone up 81 per cent to 10,500 and angioplasties have increased by 109 per cent to a total of 899.

If one just takes a very superficial look at these, at this rate then if we project out, each one of us will have a hip, knee, or a joint, a cataract or angioplasty in the very near future.

So it is quite startling about the amount and number of these procedures that we do. The number of CT (computerized tomography) or CAT scan (computerized axial tomography) examinations completed in '92-93 was 31,783. The number of examinations have increased by 47 per cent over five years to a total of 46,565. So a 47 per cent increase in CT scans. This number is expected to increase to over 47,000 examinations this year, a further major and significant increase.

Now MRIs, the number of MRI scans grew from 2,638 in '93-94 to 5,309 in '97-98. That's an increase of more than 100 per cent over five years. Now in early '99 in January the new MRI will be operational in Regina and a second MRI in Saskatoon, so that will further increase.

Now I already referenced that we have 26 new physicians in the rural area in addition, and we have a slight increase in the number of specialists. So if you have more physicians, more specialists, more equipment, all of these procedures will go up, ergo our health care costs are going to go up as well.

But it's not only important to look at how much of what we are doing but whether what we are doing are the right things to be doing. And what I think we need to be really proud of in this

province is our Health Services Utilization and Research Commission. I'm hoping in the future we could support this instrument even more so.

Because through that review and evaluation and issuing guidelines and practice guidelines, we are redirecting resources from things that do not need to be done. For instance, perhaps a particular kind of test that we're using 10 years ago and simply become habitual to order this kind of test should now not be done except for once every five years. Well we should not be paying for a test every year if it's only valid once every five years.

So we have to make some tie-in between utilization of services and the way we pay for the services and the impact effect or value of those services. Not just assume that more of everything is good. We need to question all of that.

And I'm proud that our relationship with the Saskatchewan Medical Association is strong enough that we can begin to debate and discuss and review these kinds of issues and questions through a number of vehicles that we've developed in the last little while. And I'm convinced that this is an area . . . this is an area also we're working on with other jurisdictions. And there are two initiatives of particular importance that I think we need to be proud of also having some . . . playing some leadership role.

The first in the area of looking at waiting lists. Currently there is a lot of debate about waiting lists. There's very little science to it, there's very common definition, and there's very little understanding of what a waiting list is.

Individual physicians have waiting lists. There are waiting lists for particular kinds of diseases or procedures. No one understands when waiting starts and ends and whether it should start there. There is no maintenance of waiting lists. In other words, when somebody's put on, there's no guarantee that they're ever taken off the waiting list.

So we have with British Columbia, Alberta, and Manitoba, received funding from the federal government to look at six major areas where we would develop common clinical practice guidelines, protocols, standards for how we deal with waiting times. What is an appropriate waiting time? How fast should a particular kind of procedure be done?

And this is in the area of cardiac care. It's in the area of ophthalmology, orthopedics, which again are two very . . . all three are very high areas in increases that I described earlier. The fourth is in hernia, mental health services and an access to MRI (magnetic resonance imaging).

Now the very interesting one is access to mental health services. Generally mental health has been put at the bottom of the pile and not paid a lot of attention to. And the fact that all four provinces are working together to establish some sorts of standards, protocols, and guidelines around these areas . . . And I need to say this is in support of or supported by the Canadian Medical Association, the medical associations from all four provinces, by the large tertiary care centres, and in major research organizations in the four provinces. And there are a couple of people from our department, and Mr. Steven Lewis

from HSURC (Health Services Utilization and Research Commission) that are playing a very critical role in the team of people with the other provinces to deal with these particular issues.

I think I'll stop there because obviously, if you give me an opportunity, you can see sometimes it's difficult for me to stop. So I think it best that I do stop.

Mr. Thomson: — Let me just . . .

Ms. Stanger: — I just wondered about the Utilization Commission. Will you tell us how the people get on it?

Mr. Thomson: — He stopped. That . . . (inaudible) . . . was my next question.

Mr. Hnatiuk: — Carol, can you help me with this? The appointments are made to the Health Services Utilization Review Commission through nominations and then a minister's order in council.

Ms. Stanger: — And you have medical people on there?

Mr. Hnatiuk: — Yes, Madam Chair, and lay people as well, consumers.

Mr. Thomson: — Can I just say in terms of mental health services, I'm glad to see that this is getting more of a priority in terms of the way that we are looking at funding it and dealing with it. I think it's an area that we underestimate in terms of its importance and its . . . to the medical system generally. And it's often one of the first areas that I think unfortunately gets pushed aside by greater needs in acute care and other . . . It is an important area for us to continue funding.

I have a couple of other questions arising out of your comments. In terms of the waiting times and waiting lists, the critical areas, one of the suggestions has been made — certainly I think in Alberta and as well by some folks here in Saskatchewan — is that by allowing private clinics in, we would be able to deal with the backlog on the waiting lists more effectively. Has the department looked at this as a solution?

Mr. Hnatiuk: — I'm not sure if you mean by allowing private clinics in, you really mean a two . . . you probably mean a two tier . . . I'm interpreting that as being a two-tier system. In other words, those that can pay can go to the front of the line and access those services.

Yes we have. And if we go that way, what will in fact happen is that we will dilute the resources that are available to essentially favour those who can financially afford to access these services and would be a great . . . would jeopardize our public health care system. This is in fact what we have in the United States.

And all provinces are committed to the Canada Health Act. And even, if I understand correctly, what's happening in Alberta, the move to private clinics is quite limited. There is some debate about the relationship between those private clinics and the Canada Health Act. Again, we've always held that a public system would meet our needs, there'd be equity, and there would be lower overall costs. I earlier talked about the per

capita costs in the U.S. versus in Canada — really no comparison in those costs.

Saskatchewan has always adhered to the principle that medically necessary health services should be provided on the basis of need rather than on the basis of ability to pay — matter of fact that's the basic and fundamental root of our medicare system. A second tier providing medically necessary health services on the basis of ability to pay would erode, not shore up, the public system as it leads to more expenditures on health overall. So it would drain resources to the overall health care system.

I've already commented on the United States system. In fact if you look at how well the systems do in terms of mortality, morbidity, and so on, there's no evidence that a two-tier system or moving in that direction would be beneficial. As a matter of fact if you look at the United States programs, the two-tier system that you asked about, what you'll find is that the people that are mostly not covered by health insurance tend to be minorities, tend to be poor, and there are certain ethnic groups that are more adversely affected than other groups in society.

Mr. Shillington: — If I could interrupt just for a moment, Madam Chair. I'm just wondering what you intend to do about the time here. I'm not sure if these people can stay; I'm just wondering what we're doing for time.

The Chair: — I have contacted the Department of Agriculture and let them know it will be 3:30 before we would be dealing with them. So we're hoping that we can . . .

Mr. Shillington: — Wrap this up.

The Chair: — We should be able to, if that's okay.

A Member: — Madam Chair, we were scheduled till 3. It was our plan to be here till 3 o'clock.

The Chair: — Okay.

Mr. Shillington: — Are you saying you can't stay past 3?

Mr. Hnatiuk: — Well yes, we have other commitments at 3 o'clock. We're back on Thursday. We're scheduled, I believe, for 11 o'clock on Thursday and at 1 o'clock on Thursday.

Mr. Shillington: — Yes, and then you're able then to stay Thursday as long as it takes, is that what you . . . Thursday?

Mr. Hnatiuk: — The schedule we were given is 11 to 12 and 1 till 2 is what the committee has given us.

Mr. Shillington: — If this is last item on Thursday and if you can stay until it's done, then we don't have a problem and I'll quit harassing everybody.

Mr. Hnatiuk: — Yes. We can.

The Chair: — Okay. Then we'll continue on with Mr. Thomson.

Mr. Thomson: — I wanted to ask about administration costs.

And perhaps this is a question I should raise under districts, but since the department has some role to play in monitoring this, I'm interested.

As we went through the restructuring of health care services and the regionalization of them into districts, what did we see happen in terms of the ratio of administration to front line workers. Often in the legislature we hear time and time and time again that administration is increased and the number of front care workers has been declining in ratio to that. Is there any statistical information that would bear out those allegations?

Mr. Hnatiuk: — We have both statistical and other information. Of course when health reform started there was over 400 different boards — hospital boards, home care boards, and so on. This has been collapsed in 32 district health boards, although obviously much more focused.

So you can now see the administration in one place, and that may be causing some of the concerns.

In '97-98, health districts spent an average of 4 per cent of their operating expenditures on administration. Now that would include administration costs, their finance and administrative costs to run the district, approximately 4 per cent. Some were little less, some were just slightly more — the average is 4 percent.

The reductions in administrative and management — I'll give you some examples. In Saskatoon Health District, there's been a reduction from \$11.6 million in '91-92 to 9.5 million by '94-95 — a decrease of 11.2 per cent over three years. Now similar decreases have occurred in Pipestone, Living Sky, and Prince Albert District Health Board.

The other thing that's happened is that when there have been reductions they've been proportionally taken — or disproportionately, I guess — taken out of management positions rather than front line provider positions. And I have a number of examples of those that I can't find readily here.

However, the health boards have consciously, when they've needed to downsize or to manage it through our resources, have re-examined their management component. The costs are running at about 4 per cent for administration, which I believe . . .

I should comment about Regina as well. Carol was just pointing out over the same period Regina experienced 5 per cent reduction in in-scope positions compared to 20 per cent for out-of-scope management full-time equivalent positions.

Saskatoon showed a decrease of 6 per cent for in scope, but 24 per cent for out-of-scope positions.

So that if there has been downsizing, it's been at the management level, not at the front line provider level. But overall there have been ongoing decreases as efficiencies have been found. And I believe in the future, there could be even more efficiencies found as district health boards work more cooperatively with one another and have more experience.

These are very new governance instruments and it does take some time before there are systems in place to garner the kind of efficiency that we'd like to see.

Mr. Thomson: — So it would be false then to say that wellness is kind of the expensive front line services and to the benefit of the administration?

Mr. Hnatiuk: — It would be false to say that.

Mr. Thomson: — Okay. I'm mindful of the hour, and as such I will defer at this point to other colleagues who want to raise something.

The Chair: — We'll have Mr. Hillson start and then you can continue on, on Thursday.

Mr. Hillson: — May I ask, is it appropriate to ask questions on both Sask Health and the district health boards? Or should I just ask questions on Sask Health?

The Chair: — Just Sask Health right now.

Mr. Hillson: — Thank you. Do you have the out-migration factors for the various health districts? I understand some are extremely high and I wonder if that imperils the viability of some of the districts.

Mr. Hnatiuk: — When you say out-migration, you're talking about migration to other districts for services?

Mr. Hillson: — Correct.

Mr. Hnatiuk: — Yes, I don't have it with me, but we do have the amount of services that are received by people from outside the . . . in other words, what services does Saskatoon provide to Swift Current residents. We do have that information.

Now that doesn't necessarily mean that people leave that community, but they go to Saskatoon for certain kinds of services; the same to Regina for certain kinds of services.

Mr. Hillson: — Right.

Mr. Hnatiuk: — And I know we have the situation for last year. I'm not sure whether we have it over . . . you know, whether there's a trend that can be established. But I'll certainly check on that. But we do have the information for last year's migration.

Mr. Hillson: — And that can be provided then, can it?

Mr. Hnatiuk: — That's right.

Mr. Hillson: — Okay, I'd appreciate receiving that.

Is it over 50 per cent for some of the districts?

Mr. Hnatiuk: — There are examples like Rolling Hills, which is the district that surrounds Swift Current, referred to as the doughnut around Swift Current. That would be true for that particular district. I don't believe that there's many districts in that situation.

Mr. Hillson: — What about Twin Rivers? Where would that fall?

Mr. Hnatiuk: — I can't tell you that right now, but when we get the information it should be there. I don't know offhand.

Ms. Stanger: — I'm so glad you're interested in my health district, Jack.

Mr. Hillson: — I'm very, very concerned about the member from Lloydminster's health.

Can you tell me, the ones with very high out-migration factors, will that endanger the viability of those health districts in the long term?

Mr. Hnatiuk: — Well if we look at the example that we used, Rolling Hills, the reason for out-migration is they only have one hospital. It's a relatively small hospital.

Mr. Hillson: — I realize that in some cases you really couldn't access services in your home district even if you wanted to.

Mr. Hnatiuk: — That's right. For the other services the answer is no. Because things like respite and home care and emergency care, first responders, all those services are still going to be necessary. It's a question of who manages and who provides those services.

Now what is encouraging is a number of health districts are actively engaged in discussions about how better to co-operate, how better to integrate their services, how better to share services. So that has begun, and I think has increased in activity in the last year. And we've been actively encouraging those kinds of discussions.

Mr. Hillson: — You have said that use of CAT scans has increased dramatically and you anticipate that will continue. My understanding is that that's not really necessarily overused or taking advantage of. Is that, for instance, in the case of early onset of a stroke there can be a CAT scan done; we can prevent any permanent damage so that would save a great deal of money to the health system.

Mr. Hnatiuk: — That's correct.

Mr. Hillson: — Do you have any idea as to what would be the optimum number of these instruments in the province and whether they should be available in regional hospital systems?

Mr. Hnatiuk: — There is a federally-provincially . . . a provincially funded organization called CCOHTA — it stands for Coordinating Office of Health Technology — that provides recommended standards. The standard that's being recommended for MRIs is three per one million and we will be at that standard very soon.

In terms of CT, I don't have that with us but we can find what standard is recommended by CCOHTA (Canadian Coordinating Office of Health Technology Assessment) versus how many we have and how many procedures per thousand, adjusted obviously for age and the population. But we can look to see if . . . I don't have that with me today but I know some of that

information does exist.

Mr. Hillson: — I'd appreciate receiving that. But you say in the case of MRIs, it's three per million?

Mr. Hnatiuk: — Three per million.

Mr. Hillson: — Which of course is exactly what we're going to have when the instrument opens in Regina.

Mr. Hnatiuk: — That's correct, sir.

Mr. Hillson: — Okay. In response to Mr. Gantefer, you mentioned that where cataract surgery was done out of district the money does eventually move. Now this was an issue, as you're probably aware in The Battlefords Health District, that they were also providing considerable service to Saskatoon residents and then cut back the service quite dramatically.

And that was one of the reasons given — was that they were doing it for out-of-district persons but you're saying that the district would have ultimately be reimbursed for that?

Ms. Klassen: — Perhaps I'll answer that question in the sense that the population needs-based funding provides for a portion of population. So it isn't a purchase of a specific service. It's not a fee-for-service purchase that we do through districts for cataract surgery for example.

What we would do is take into account the portion of the Saskatoon population and the relative intensity of work involved in the cases, because obviously cataracts is a less intensive activity than say open heart surgery, and we would proportion a population to The Battlefords Health District and in effect, through that mechanism, provide funding.

So it's a bit less direct than buying a cataract service. It is by looking at what portion of population of Saskatoon residents would be using North Battleford for access to service.

That would also apply for citizens travelling through any of our districts whether that's for work purposes, recreational purposes, or whatever.

So both of those are captured on a routine basis to reflect that a district is providing service to residents of other districts.

The Chair: — I notice it is 3 o'clock, and I understand the deputy minister and his officials have to leave so we look forward to continuing this discussion on Thursday. And I've noted that Mr. Hillson will continue at that time. So thank you very much.

The committee recessed for a period of time.

Public Hearing: Department of Agriculture

The Chair: — Good afternoon everyone. I appreciate the fact that the deputy minister and his officials made a large change in their agenda to get back here today so we will accommodate you by getting done as quickly as possible, and with answering the questions. And I have still a speaking list from the other day and I'm going to see if I can shock some of the members by

calling their names and seeing if they remembered that they were on the list.

I should ask you if you have any new officials with you? I think you do.

Mr. Scott: — Actually we have the same people as we did yesterday . . . (inaudible) . . . Jack Zepp, with the administrative services branch; Ken Petruic, also with the same branch; Greg Haase, from lands branch; and Roy White, industry branch.

The Chair: — Thank you very much. Like I said we do appreciate you being here.

My speaking list was starting with Mr. Hillson, but he forgot his paper out there so I will excuse him for a few minutes and if there's . . . The next person on the list was Mr. Shillington. Since he's not here either, if you don't have . . . (inaudible interjection) . . . I guess there was a couple of questions that I was going to ask him. I usually put myself to the end so I guess I get an opportunity to ask them . . . (inaudible interjection) . . . to put myself forward on these questions.

One of the ones that a number of farmers have been talking to me lately about is occupational health regulations that have come down as far as they deal with farming. And one of the interesting ones is the smoking regulation when it talks about smoking in your tractor if you have a hired employee and that type of thing. I'm just wondering if you have had any input into this or if you're hearing very much through your department?

Mr. Scott: — Madam Chairperson, the occupational health regulations, of course, are handled through the Labour department as you're probably aware. We do, of course, consult with the Labour department on a variety of occupational health issues, whether it's to do with intensive livestock operations or the issue you mentioned as another example. So we certainly do hear about those kinds of issues.

We are, as a department, a supporter of the Centre for Agriculture Medicine as well, both financially and actually. I personally am on the board for the Centre for Ag Medicine at the present time. So we certainly are involved in those issues and we become aware of those through our consultations with, not only farmers and farm groups, but also through the Department of Labour which is the department that carries the responsibility for those ones.

The Chair: — When you said that you support it financially as well, what is the cost for the Department of Agriculture for these . . . that you spend on the regulations?

Mr. Scott: — Our support for the Centre for Agriculture Medicine I believe is about \$85,000 per year and we use those funds to partake of some joint activities where we, through our extension service, draw upon the Centre for Agriculture Medicine to get information out to producers about various safety practises, if I can call them that, that can be used.

The Chair: — So on the issue that I brought to your attention about smoking in tractor cabs and in vehicle cabs, will the Department of Agriculture be . . . like will you be spending resources to police that type of thing?

Mr. Scott: — Not that directly, Madam Chairperson. That's one that actually has not, to my knowledge, we've not been directly involved in that particular issue.

The Chair: — Okay. One of the other issues that is coming to the forefront quite a bit now is labour in the larger hog barns. Now that issue is whether these labourers are considered an agricultural employee, which has different standards than some other employees if you considered looking at agriculture separately. What is your stand on that?

Mr. Scott: — Now again, this jurisdiction belongs with the Department of Labour. So again our involvement has been in one of consultation with that department in terms of ensuring that there's understanding of what the rules are with respect to labour standards.

And essentially as I understand what the Labour department's process is, they deal with their legislation and there's a process where if people feel aggrieved under labour standards, that they can go through a process to have their concern dealt with through various processes under The Labour Standards Act.

But I'm not the person to describe the details of that because I don't work directly with it through our department, only in a consultative role.

The Chair: — So if someone would phone your department saying that I work in a large hog or beef industry and I feel that there's some of the labour standards aren't being applied to me, and I think because an employer is supposedly considering them an agriculture employee, what do you say?

Mr. Scott: — We would immediately refer that individual over to the Labour department, to the labour standards branch, and they would handle it from there.

The Chair: — Okay. There is the issue of . . . I've had a number of calls about the regulations dealing with bees and bringing them in with the sort of restriction on the bees being brought in. Is that just a federal issue or does the province have any specific rules or regulations on them?

Mr. Scott: — Yes, we do. And I won't try to describe them all but one of the diseases . . . it's actually a mite that we in Saskatchewan are relatively free of that particular mite. And so what we do is we attempt to ensure that bees coming into the province are not allowed to bring that mite in. So we thereby keep our bee population free of the disease and of course that translates into a better market for the product that the bees represent for us.

The Chair: — So what happens in the instance, and I understand there's a number of them where farmers right along the border of Alberta or Manitoba that doesn't have the same regulations — the bees don't know where the border line is and they are flying back and forth over the border there. I mean this is a concern with a number of producers or beekeepers that are saying, we have these strict regulations and yet the bees themselves just flying around can cross over the border.

Mr. Scott: — Yes. Of course there are limitations to what regulations can do. What we attempt to regulate is the deliberate

movement of bees across provincial boundaries. But of course where there are natural movements that can't be controlled by any kind of a regulation, naturally there could be some slippage in terms of the movement.

But it's felt, as I understand the methods of controlling that particular mite, that if you can control the shipments back and forth across the provincial boundaries, you have a very good chance of keeping your bee population free of . . . the varroa mite is the particular mite that they concern themselves with.

The Chair: — And the last issue I wanted to . . . I ask on is the Crown land leases. There was a considerable increase. I know it's based on the prices, the previous year's crops, and with the decrease this year, there's a lot of people that have the leased land are paying a considerable amount more money.

And the minister spoke in the House about how it was something that was going to be reviewed. Is it being reviewed at this time and is there going to be . . . are farmers going to be forced to pay the 25 per cent increase?

Mr. Scott: — The 25 per cent increase that you're referring to that was put in place for the current . . . the 1998 grazing season, that increase will not be changed. We're not planning to roll back that increase.

That increase occurred or was set of course long before the growing season — the grazing season I should say — began. The increase is one that's set in formula and moves up and down from year to year according to the cattle prices effectively.

Last winter, because the increase in the cattle prices in the base period would have generated a 33 per cent increase for 1998, what we did was we said that's too big an increase from one year to the next, so we capped that off at a 25 per cent increase, in the same way that we had the crop leases the year before.

And we felt that we wanted to maintain equity between the grazing lease increases and the crop lease increases from year to year. And we set 25 per cent as a kind of a ceiling, that we felt it would be unfair to go over that level of increase.

Now for the next year of course the lease rates will be determined by the cattle prices in the fall of this year, 1998. So I'm not going to try to comment on what will happen with those lease rates. Greg Haase is here and I would probably call on him to just give maybe a sense of what may happen on those. If that would be . . .

The Chair: — That would be great. I appreciate it.

Mr. Scott: — . . . to your satisfaction.

Greg, could you comment just briefly on this? It really depends on the movement of prices from year to year. That's what really drives the ups and downs in the lease rates. If there's anything you can share on it, Greg. This will be very obviously not official because these aren't set until into the new year.

Mr. Haase: — Yes, we don't have the final numbers here, and the expectation is that we will . . . (inaudible) . . . That's the last

forecast. The numbers that we use are from July to November of each year, so at the end of this month, right around Christmas we'd have our final numbers and be able to predict next year's rates.

The Chair: — Okay. I have one other question. When the Crow rate, or when the subsidy for the transportation was given out — I guess it was in '96, wasn't it — people that had Crown land, they didn't get to keep that money, did they? Was it the Department of Agriculture kept . . . Did they receive funding from the federal government?

Mr. Scott: — Two things occurred there, Madam Chairperson. One was because there's a lag between the time that prices change and the setting and the year that those prices — and when I say prices, I mean crop prices — affect the lease rate. What we did was we ensured that there was a benefit passed on to account for what the producer lost in the lag period.

But secondly, and more importantly, of course the way the formula works for setting our Crown land lease rates, is that if the price of the commodity goes down, then your lease rate or your lease amount that you're charged goes down. Of course, what occurred when the Crow benefit was eliminated, is transportation costs went up and so the commodity prices went down. And as a result of that, the lease rates went down as well.

So because of the way the formula works for Crown lands, there was an automatic pass-through of the benefits of the change in the Crow, or the Crow transition payments I should say. So over time, of course, with the ongoing lower lease rates — and when I say lower, lower than they would otherwise have been — our Crown lessees will in effect get the same benefit that other landowners achieved under the transition payments.

The Chair: — But at that time in 1996 or 7 or whenever when that funding was given out, did Department of Agriculture get funding from the federal government?

Mr. Scott: — I'm sorry.

The Chair: — Was there funding received on Crown land to your department.

Mr. Scott: — I'll call on Greg again to just clarify that if we can.

The Chair: — Okay.

Mr. Haase: — There was funding received. I don't remember the exact dollars. I'd have to look that up. The other thing I could say is that because of this lag that Terry was talking about in terms of the prices that are used, it takes about a two-year time before they get factored into the formula.

And what we did was immediately reduce the rental in the year that the payment was received. So in 1995, for example, the average rent paid was 902 and what it would have been without the WGTA (Western Grain Transportation Act) reduction would have been 1,043. In '96 the rent was 1,087 and would have been 1,245; and in 1997 it would have been — or it was — pardon me, 1,359 and it would have been 1,780. So that was an immediate savings . . . (inaudible) . . .

The Chair: — Okay, I appreciate that. Can you give me the information at a later date on how much money was received? I appreciate it.

Mr. Scott: — We may have that for you now; but if we get it before the end of the meeting, we'll provide that to you.

The Chair: — Okay. Thank you. Mr. Hillson, you're next on the speaking list.

Mr. Hillson: — Yes, thank you. I've been confided with . . . (inaudible interjection) . . . We'll just ignore that, won't we.

Ag and food spending in the department, and I realize that the raw figures don't always tell the whole story. So I was wanting to check with you if there's something more that explains it.

But according to what I've been provided, the budget this year for the Department of Agriculture spending is 251 million, which has been down from 1,183 in 1992, and that there's been a continual drop in Ag and Food spending.

And I wanted to ask you if in fact Department of Agriculture spending has been declining consistently through the '90s or if it's perhaps been moved into other branches of government or if there's some explanation for these figures?

Mr. Scott: — The Department of Agriculture and Food's budget has been declining in the 1990s. The number you referred to I believe is a number generated by the Provincial Auditor's office . . .

Mr. Hillson: — Yes, I'm sorry, that's correct.

Mr. Scott: — . . . and it would need some reconciliation to the actual budget number that we have for our department. But just to give you a rough idea, the department's budget in '91-92 was over \$400 million, and in the most recent year of course, is just over \$200 million. So there has been some reduction in the department's budget.

Mr. Hillson: — So okay, '91-92, 400 million, and then 1998-99 it's 251 is the estimate from the Provincial Auditor. And you say you don't necessarily agree with that, or what?

Mr. Scott: — I certainly don't disagree with that. It's a number that comes from a different way of calculating the amount of dollars that go to Agriculture. The actual budget amount that we have in 1998-99 is \$212 million.

Mr. Hillson: — Okay. So if Ag and Food has been basically cut in half then in the '90s, where have the reductions been?

Mr. Scott: — The reductions would come from a number of different sources. One, we reduced the crop insurance administration by a fairly significant amount. We eliminated, for example, the marketing agent system. We closed a number of the rural offices to deliver the crop insurance program, and overall in the '96-97 budget reduced the crop insurance administration costs by about \$5 million.

Other areas where we have seen reductions of course are in the overall safety net envelope. And that occurred essentially

because as the federal government reduces their safety net envelope, which they have done in a very major way during the 1990s with a 60 per cent/40 per cent cost-sharing ratio, our budget on that has tracked the federal government's budget down as well.

Mr. Hillson: — So you are saying that safety nets for agriculture have decreased. Federally there's automatically the corresponding 40 per cent reduction from the provincial side?

Mr. Scott: — Yes, on the safety net package itself, the formal safety net package which consists now of crop insurance, Net Income Stabilization Account program, as well as from the federal side the interest subsidy on the cash advance system for crops. Those are shared on a 60/40 basis, the entire framework. So any reduction in the federal envelope is mirrored by a reduction in the provincial envelope for those same set of programs.

Now there are, of course, other reductions that have occurred at the Government of Canada level that have not occurred at the provincial level. For example, the elimination of the Crow subsidy and that of course is about \$320 million from the Saskatchewan industry.

So our reduction is a result of a lot of different things. The Agricultural Credit Corporation — that's in the process of winding up and that is another area of measured reduction as well.

Mr. Hillson: — Okay. Now you did talk somewhat the other day about the new hog operations and I think it's fair to say that was the cornerstone of our agricultural diversification.

You may have answered this, but I'd like to know if you consider the present difficulties with hogs to be of a cyclical nature or if the industry is experiencing some long-term challenges in view of the Asian market no longer looking as good as what we had hoped.

Mr. Scott: — I think the primary difficulty that the hog industry is having right now is a cyclical one. As we know, this industry historically has been on roughly a three-year cycle, if you want to try to put a number towards it.

So over a three-year period you'll see prices move up and down through the cycle. And as hog industry expansion occurs, of course, you get a build-up of hogs in the marketplace and you'll see the prices soften somewhat. And as they soften, of course, the industry somewhere cuts back and cuts back. What you find is that there's less hogs in the market of course and gradually you get a price recovery. And I would say that is predominantly what we're experiencing right now.

As far as the impact of the Asian flu, that of course is something that is fairly difficult to predict in terms of how long that problem might linger in a global market. So it certainly has some impact, but I would suggest that the primary difficulty is one of cycle that we're experiencing right now.

And as we talk to various industry players, a message comes through from them to us that yes, they see this as pretty much a cyclical thing and there is a fair amount of, I think, optimism

about the future of the industry in spite of the very weak prices that we have today.

Mr. Hillson: — Are we doing anything in the nature of market diversification as well? And what I mean by that is: you pointed out quite correctly yesterday that when you have one market — for instance, the United States or now Asia — that if that market is all of a sudden closed to you, you have a disaster on your hands. And surely we can mitigate that to a certain extent, but through market diversification. Has that been a factor with the department?

Mr. Scott: — Yes, I would say so. There have been attempts to put hogs into the Asian market as we've already noted. I think it's true however that often your best market is the one south of the border. And it's a huge market, and also the Mexican market of course is a huge market, and offers good potential for livestock from Canada, I think, in the future.

Mr. Hillson: — So pardon me for interrupting you, but you know I think we lay people have the idea that the corp is looking increasingly to offshore, but you seem to be saying the major market continues to be the continent.

Mr. Scott: — Oh without doubt, the major export market for hogs is the United States for Canada right now. It's by far our largest export market.

Mr. Hillson: — So the pork is not going offshore in large quantities?

Mr. Scott: — Not in relatively large amounts. We've shipped some pork to Japan as you'll probably know. But when you put it relative to the United States market, it's really quite small. Markets like Japan are certainly ones that we want to try to continue to keep the doors open and we see a good potential for the Asian market in the future as well once we get through the current slowdown in that economy.

Mr. Hillson: — Has your department done projections on farmland price?

Mr. Scott: — Projections on farmland price. We have not done projections, we track farmland prices mainly by the federal Farm Credit Corporation's survey that they regularly do. And I know there's a survey for the first six months of this year that was just out not too long ago. And indicates that Saskatchewan land prices, farmland prices on the whole — and it varies from different parts of the province to other parts — but on the whole the land prices pretty much levelled off in that first six months.

Mr. Hillson: — But they are remaining, they are holding steady though.

Mr. Scott: — They were in that period, yes. I think what we'll be interested in looking at in the next FCC Farm Credit Corporation report is whether we'll start to see some of the impact of the tightening cash flows on the farmland market.

Mr. Hillson: — So you're saying the first six months of this year?

Mr. Scott: — The first six months of the 1998 calendar year,

they were basically level, on average, and that of course does not tell the whole story in terms of . . .

Mr. Hillson: — But that was before the announcement of the new initial prices?

Mr. Scott: — Yes.

Mr. Hillson: — Okay.

Mr. Scott: — Yes, most of the decisions about purchases of farmland during that first six months would have been made before any information about initial prices, that's true.

Mr. Hillson: — Okay, and you're saying that you'd just be speculating as to what the second half of the year might show.

Mr. Scott: — Well, we'd certainly be speculating. I would expect myself that we'd see some softening of land prices because of the cash shortage that the industry is experiencing.

Mr. Hillson: — I don't have much more, Madam Chair. But if I can come back to these figures and say I realize that what exactly is included can distort numbers. But I'm showing 1992, the Department of Agriculture spending of eleven eighty-three and you're saying well at '91- 92 was 400 million approximately in Agriculture and Food spending. And I'm showing considerably more than that. Is there something else that the Provincial Auditor would have been including in saying, well for instance, '93 -- 950 million. I'm assuming there's something more included in that . . .

Mr. Scott: — Perhaps I should be answering on this comment. I think this number is derived, I believe, not just by the Provincial Auditor's office but it's derived in some consultation with the Comptroller, I believe, but someone may want to comment on that.

Let me explain what I understand this number to be, in general conceptual terms.

Mr. Hillson: — Okay.

Mr. Scott: — We operate, as we know, safety net programs for farmers and there are two things to track when you do that. One are the annual contributions that are made to those programs and that comes in the form of, with crop insurance and NISA (Net Income Stabilization Account), the government's contributions to those programs.

Now the other thing to be concerned about or to watch is the amount of money that's actually being paid out of those programs to producers. And with crop insurance for example, we might put in X dollars per year in annual premiums but the indemnities in any particular year, if you get a large crop loss, can be much, much higher than what the annual contributions are.

And if you go back over time you will also find some stabilization programs that were designed the same way so that they went into deficit. So your contributions on an annual basis weren't always the amounts that were actually paid out to the industry or to farmers.

We've had programs like national tripartite stabilization which would have been the same way. The diversions of the GRIP (gross revenue insurance program) program would have been the same way so we're picking up some of that . . .

Mr. Hillson: — It would not be unlike say the forest fire situation this year where this year we were way over budget after several years of being under budget.

Mr. Scott: — Yes, although I can't speak with accuracy on that but I believe on forest fires we would budget for whatever the actual cost was. There isn't a fund that runs a deficit I don't believe but that's not my department . . .

You see these programs were designed . . . crop insurance can go into deficit. If you get a huge crop loss your premiums for the year may not be enough to pay for the indemnities associated with the loss so you take your program into debt and then you recover that debt later on through premiums in future years.

So it's not . . . you can't always match up the budgeted contributions to these programs to the actual payments that are made to the industry.

Now there may be other things in that reconciliation that others could note but that's conceptually the biggest driving force in that discrepancy that . . .

Mr. Hillson: — I think I understand but is there some detail that Mr. Strelieff wanted to add to that?

Mr. Strelieff: — Sure, Madam Chair, members. In the material that we provided you in Agriculture and Food where we have a page 112, I don't know if you have that binder where we have chapter 14, page 112. It does a reconciliation between what you as legislators approve as the department's spending for the year and what the actual cost of agricultural programs were during the year.

So this was for 1996-97. The difference isn't as dramatic as the amount that you referred to for 1991-92. But you can see that the first part is the appropriation that you provided to Agriculture and then the reconciliation. What it does is try to calculate the full cost of agricultural programs that were incurred by the Government of Saskatchewan through all the different organizations that put on agricultural programs.

And in this case it moves down to \$284 million which is the amount that the government records in its summary of financial statements as the total cost of agricultural programs during '96-97.

But remember the number that you started off was 1.183 billion. So during that year, the reconciling numbers to get to what the actual cost of agricultural programs were would be far greater; there was far more cost moving through crop insurance and reinsurance and Agricultural Corporation of Saskatchewan.

Now the comptroller prepares these financial statements so he can provide you more information. But the deputy generally said that here's the appropriation that we receive and here's how much we fund agricultural programs for. And that can be

significantly different than what the actual cost of agricultural programs are during that year.

Mr. Hillson: — Now one final question, this relates to comments from Mr. Goohsen yesterday.

As I now understand the position of the Government of Saskatchewan is that for long-term farm assistance, the province would expect to contribute on the formula of 60/40 that's been in place for many years. But in terms of emergency or disaster assistance, the province is saying that formula is not appropriate and that should be borne by the national government.

Is that correct? That sums up what the position of the government is at this point?

Mr. Scott: — Yes, the comment I made yesterday was that when we said in the summer that we need to consider a long-term disaster component as part of the safety net framework, obviously we were also saying let's look at it along with everything else that we do in the safety nets and we'll talk about how we can fit that in.

And in the current situation that we're in, where we've got prices that have collapsed for many of the commodities, largely driven by international events and subsidies of the European Union and the United States, that is an issue that is beyond the normal safety net framework and properly requires a federal response.

And so we have said to the Government of Canada, what are you prepared to do about this? And those are the discussions that we are of course in right now.

Mr. Hillson: — And are those discussions . . . I mean presumably of course they're going on on the political level. Are they also going on on the departmental level as well.

Mr. Scott: — We are certainly involved in looking at some of the options that I talked about yesterday with the . . . mainly the Agriculture and Agri-Food Canada department and providing the analysis that hopefully will assist in making some decisions.

Mr. Hillson: — But one of the issues you are looking at is, how do you provide assistance without the possibility of triggering a countervail from our trading partners?

Mr. Scott: — Oh absolutely. Absolutely. That's one thing we hear from industry throughout the country is: whatever you do, do in a way that is not going to attract the trade action that will lock the border, cause a lot more of our hogs for example or our cattle to have to find a home in Canada, which will depress the price even more than it already is, and then what have we gained? Not much. We may be even worse off.

Mr. Hillson: — Now I certainly follow you on that. But what I don't understand, and maybe it's simply a function of the fact our trading partners are bigger than we are, but we are continually being told that our trading partners subsidize far more than us. So if we end up subsidizing at a much more modest level, it's not easy to get your mind around why then we should be the subject of negative trade action.

Can you respond to that?

Mr. Scott: — Well the interesting thing about U.S. trade law is that when they file . . . someone files an action under U.S. trade law against say Canada — whether it's livestock or whatever it is — their trade law doesn't consider whether the United States is actually doing the same thing or not.

It considers whether Canada — if it's Canada — is in fact dumping product into the United States at below cost, or below cost of acquisition. Or whether Canada's subsidy is actually creating harm on the American producer. But nowhere in that trade law is there any consideration that says if we in the United States are also doing this, then you can't blame Canada. It doesn't say that.

So Canada of course, with a tremendous reliance on the export markets because we have this huge ability to produce way more than we can ever consume in Canada, we have to I think be fairly cognizant about how we can avoid those kind of U.S. trade actions.

And it's not about being nice guys; it's about doing things in a way that's not going to attract actions that will in fact backfire and make you worse off than before you provided the assistance.

And that's where we focused on some kind of a whole farm approach and tried to avoid in recent years — and I think it's still the best strategy — we try to avoid as much as possible doing anything that is targeted at a specific commodity.

Mr. Hillson: — And finally, do you have any comments at all on whether it is practical to look at the issue of preventing a rapid demolition of the crib elevators as the high through-put elevators are brought on stream?

Mr. Scott: — What we've said on that issue is that the parties who are involved in that should talk and see what makes sense for them. We've certainly reminded the federal government that that is an area again of their historical jurisdiction and they have of course legislation that still exists that pertains to these kinds of matters. So we certainly encourage whatever decisions can be made that will result in as good a network of distribution points and collection points as possible. But it needs to be something that makes sense for the system and the players in it.

Mr. Hillson: — Thank you, Madam Chair.

Mr. Shillington: — I just have a couple questions. One has to do with the effectiveness of NISA as a method of bridging the economic cycles. What percentage of farmers contribute to NISA?

Mr. Scott: — I said yesterday that the definition of farmer is always a tricky one. For example, we have about 90,000 people who file tax who report some farm income. Now we know we don't have anywhere near that number of real, serious farmers. There are about 55,000 census farms.

Mr. Shillington: — About 55,000?

Mr. Scott: — 55,000 . . . 56 actually to be a little more exact.

And associated with those census farms are roughly 70,000 census farm operators. So you can have more than one operator on a census farm.

There are about 55,000 NISA participants, and we do know that they represent — those participants that are in the program — they represent over 90 per cent of the eligible sales for the program. So the people who are in it and have an account represent the bulk of the production in the industry by far.

Now that doesn't tell the story of course of who's got an empty account or who's got just a little in their account and who's got a lot in their account. But we know the people who are active in the program represent over 90 per cent of the sales in the industry.

Mr. Shillington: — That seems to belie my assumption, because my assumption was that the NISA might work much as RRSP's (registered retirement savings plan) do. The value of the whole RRSP exemption from income tax is, it encourages people to be self-reliant and sort of plan for their own future. The disadvantage is that it is an income tax advantage which accrues to the benefit of people who are affluent and is of little value to those who struggle at the lower end of the economic scale.

My assumption was that NISA would probably act the same way. But your statistic seems to belie that. Ninety per cent of the eligible farm . . .

Mr. Scott: — Sales.

Mr. Shillington: — . . . sales — yes, that's the word I was looking for — are covered by NISA. It seems to suggest that the use is relatively broad across different income levels on the farming community. I don't know whether you're able to comment on that or not.

Mr. Scott: — Yes, I think I can to a degree. If you look at sale classes, from small sale classes right through to large sale classes, what you'll see is that at the very small scale there is a fairly high tendency to have a large account. At the very large end of the scale, the large sale farmers, you have again a bit of a tendency to have a larger account than you will for all of the other sales classes in between.

But having said that, the very small and the very large, you go into that middle zone and it's pretty consistent in terms of the size of the account relative to their sales level.

But then you get into the sale categories. You take each one of them individually, and what you'll find is quite a discrepancy between say your livestock producer and your crop producer, between a relatively new entrant into the industry and someone who's been there for 30 years. You get into all of those kinds of differences between individual or among individual producers.

Mr. Shillington: — And since it is widely regarded as a retirement scheme — and since we all have to reach a certain level of maturity before we begin to plan for such things — I suppose the young farmers tend to be under-represented in this scheme. Is that accurate or not? Or do you know?

Mr. Scott: — I don't have data that would indicate that. We ran some data that looked at the number of years they've been farming, and it was difficult to identify a significant difference between the people who have been farming only say 6 or 7 years versus 30. But I think what we do know with certainty, is that if you've come into the industry in the last three or four years you will not have had enough time to build your account. So we do know that.

Mr. Shillington: — Yes, that's simply systemic in the system. Okay, well that's interesting. Second question simply reflects some comments which I understood Jack make yesterday, and probably made them better than I. I'm just not sure I understood your answer actually. And I don't have the advantage Mr. Goohsen does of being a farmer. In that sense I'm at a considerable disadvantage.

I was an MLA during the '80s. To the extent that the assistance came because of drought, that all made sense, where I wondered about the effectiveness of it later was where assistance came because of low prices. Here's something the member from Maple Creek said twiggled this question. Because it struck me at the time, and it struck me since, that to some extent the assistance which came during the '80s discouraged . . . or the minimum did not encourage the farming community to move and become more sensitive to the markets. It encouraged farmers in many cases to continue to grow crops for which the markets were not there.

And this may be controversial, but I think the worst example of that was GRIP which really was insensitive to the market. And I don't understand the Alberta program, but I understood the member from Maple Creek to describe an Alberta program which seems insensitive to the market.

If you're old enough you can remember a time in this province when the prosperity of the province was founded upon agriculture. But you got to be a fair age because it hasn't been the case for some time. For some time farmers have not been able to contribute to the prosperity of the province and in some ways the province has had to support them.

I suspect that all farmers want is to be able to return to the day when they make a significant contribution to the prosperity of this province. And one would assume that in order to do that there has got to be some movement from some of the crops that are grown now to some of the crops that are more in demand.

I'm wondering therefore if the aid package which is being negotiated, do we know whether or not it is going to encourage farmers to continue to be sensitive to the market? We may be in a position where we're happy enough to get aid under any circumstances. We're not going to particularly be quarrelsome about whether or not it encourages them to be sensitive to the market. We may take whatever we can get from the feds.

But I guess I'll ask the question and stop with the background to this. Do we know whether or not the aid which we're going to get in the next period of time is going to encourage farmers to adjust themselves to the market?

Mr. Scott: — It's my belief that the Government of Canada, if they do something on this, they will do it in a whole-farm

approach and it won't be commodity specific. And that's probably as good as it gets in terms of not distorting the decisions that people make about what to produce.

I think it's very true that for a long history in terms of agriculture policy-making, we tended to look at one commodity at a time and so we designed a national tripartite stabilization program for cattle, and we designed a national program for hogs. We designed a national program for sheep, and we designed a western stabilization program for grains and a GRIP program for grains. And we had various acre payments which primarily helped grains. And of course every time you do something that's targeted at the commodity, the message subtly or explicitly that you send is, continue to grow that commodity.

Mr. Shillington: — It's fairly explicit I think, yes.

Mr. Scott: — So in the '90s what's occurred, I think the Government of Canada is very entrenched in this approach to deal with whatever support you provide on a farm income basis as opposed to a commodity revenue basis. And then you'll say to people, yes the support is there but it's based on your income at the end of the day from all of the things you produce. You go out and you find what the market says you can make the most at and you produce that, but don't rely on the safety net to tell you here's where the money can be made. Rely on your judgement about the marketplace to do that.

Mr. Shillington: — Okay, thank you for that. That's interesting.

The Chair: — I believe Ms. Stanger has one question before we go on.

Ms. Stanger: — In my modest view, Terry — you can contradict me — when I look at what the Europeans do and what the U.S. does, I think our federal government has completely abandoned the farmers in Saskatchewan. I think we have a cheap food policy in this country. I think the farmers of this province not only feed people in this province, they feed people all across Canada.

My question sort of comes . . . I have it written down here but sort of in the way that Mr. Hillson started. I've seen these subsidies from the Europeans and the Americans cause these same problems years ago and it just seems to happen over and over again. So when our federal government, previous federal government, went into NAFTA (North American Free Trade Agreement) and the present one into GATT (General Agreement on Tariffs and Trade), I thought finally we were on a level playing field. This is what we were told. When we lost the Crow rate which was a condition in my mind of Confederation for the west, and they took \$320 million out of here.

Now can't we do anything? It's sort of clarified when you gave the . . . when you explained how their trade law works. But can't we do anything as a country? And certainly I don't care what government is in power in Saskatchewan, they can't, they can't compete against the U.S. Treasury and the European Union — there's no way on earth. But can't we, can't the federal government and us and the provinces assisting them, do something about this unfair practice?

We now have international trade agreements. And they are subsidizing six to seven times, and the farmers of our province and our country are really at a disadvantage. Is there no way that we can do that, still being reasonable, or are we always going to be like the mouse beside the elephant? And you know what I'm saying? Because we have to be so careful, because of course we export. Well, Saskatchewan's the biggest export area per capita of any place in Canada — and the United States by the way. But it's so frustrating. Isn't there any way that we can help the farmers somehow, federally or provincially? Because I believe they are the most efficient and the best farmers in the world because the evidence is there.

Mr. Scott: — I'm not sure I understand your question exactly. In terms of helping the farmers with respect to the world trade agreements, there's . . .

Ms. Stanger: — That's right. The trade agreements are there, Terry. Isn't there something legally? Why are they not enforced?

Mr. Scott: — The thing about the trade agreements and the last round of GATT (General Agreement on Tariffs and Trade) and the commitments that were negotiated, I think there was some progress made. But when you look at the limitations, if you want to call them that, the limitations that were negotiated that said you can only subsidize thus amount, they weren't all that restrictive. Things that were, things that were really driving decisions in the European Union and the United States, and in Canada I think, had more to do with fiscal realities that governments were facing.

And so when base periods against which you would reduce your subsidies were negotiated, they were set very high. And so now what we find is even though countries are committed to gradual reduction, they still have plenty of room to jump it up a bit. And so the United States when they . . . they put in another \$6 billion into their ag industry recently, they're able to do that because the trade agreement wasn't as restrictive as we probably needed it in order to serve our export interests.

Now the next round hopefully there will be a little more progress made. But I think it's true that the WTO (World Trade Organization) commitments made by various exporting nations were in effect not that restrictive in terms of their . . . their ability to subsidize. They made some initial progress but there's a long ways to go.

Ms. Stanger: — Well, that explains it. In other words, our governments did a poor job and they oversold the fact that the free trade agreements, NAFTA, were going to put us at a level playing field. They did not put us at a level playing field, and what you're saying is we're going to have to be patient. And heck, who knows if we'll have any farmers left in Saskatchewan. We may have three in the south-west and five in the north-west left. I'm sorry, I shouldn't have said that. That doesn't contribute to the debate I guess, but . . . just the way you feel sometimes.

The Chair: — I have a . . . I'm sorry.

Mr. Scott: — I'm sorry. I think that the next round of WTO (World Trade Organization) will be important but I think in the

meantime, even more important that the bilateral discussions that go on between Canada and the United States, between the U.S. and Europeans and Canada, we attempt to gain some commitments beyond what we've got coming in the next round of the WTO.

Ms. Stanger: — Thank you.

Mr. Scott: — But it is certainly not a level playing field. I mean, if you look at the producer subsidy equivalents for the crop side for example, in Canada 9 per cent of the value of crops comes in subsidy. In the U.S., 18 per cent. And these are for 1997. And in Europe, 41 per cent. So you know, there is quite a discrepancy there and this 18 for the U.S. doesn't include the latest increase of \$6 million dollars, so you know that's where we're at in terms of level paying field.

Mr. Shillington: — Those are remarkable statistics, actually. I think I would be interested — I'm sorry to interrupt — I would be interested in getting a written document which sets out the subsidy levels for the Crowns. I see you appear to be reading them there.

Mr. Scott: — I have them here.

Mr. Shillington: — Yes, or just give them to us now. I'd just be interesting in getting them for the purpose of a variety of things including corresponding with the constituents.

Mr. Scott: — I can give you a few others examples here, if you like.

Mr. Shillington: — All right.

Mr. Scott: — For beef, Canada's producer subsidy equivalent is 12 per cent. The U.S.'s is 4 per cent. So that's one where the U.S. doesn't do too badly in terms of subsidies as far as we're concerned. But the Europeans, 60 per cent — six zero percent. For hogs, Canada is at 11 per cent. United States is at five per cent. The Europeans are at nine per cent. So you know, that's fairly level. That one's not too bad. Dairy, which we don't have a lot of in Saskatchewan, we're a small player here, but in Canada the producer subsidy equivalent is 59 per cent. And that comes not from government payment programs but that comes from regulatory arrangements that generate prices relatively high compared to the global market.

In the U.S., they're at 47 per cent on dairy and the Europeans are at 54 per cent. So we're all kind of in the same ballpark on dairy. So it depends on the commodity but they, of course, the ones that are biggest for us, the crops . . .

Mr. Shillington: — Are the ones who are at the greatest disadvantage.

Mr. Scott: — Are the ones where we're miles behind in terms of that level playing field that we like to have.

Mr. Shillington: — Those are remarkable statistics.

The Chair: — Did you say Europe was 42?

Mr. Scott: — The European union was 41 per cent for crops.

The Chair: — Forty-one.

Mr. Scott: — In 1997.

The Chair: — I have Mr. Goohsen on the speaking list but before I go on I wonder if the members would be interested in a letter I received from the Premier as an update from our motion yesterday.

I am in receipt of (the) letter of November 23rd advising me of the unanimous consent of the resolution adopted by the Standing Committee on Public Accounts.

I have attached a letter I have sent today to the Leader of the Official Opposition and Leader of the Third Party for your information and reference.

The letter sent to Ken Krawetz today, Leader of the Official Opposition:

As you are aware, our government has been working hard to speak for Saskatchewan farm producers facing grave shortfalls in net income this year.

Our government introduced an emergency motion on this issue in the Legislature this fall, which was unanimously approved.

Saskatchewan Agriculture and Food Minister Eric Upshall has raised this matter urgently and continuously with his federal counterpart.

I have corresponded with the Prime Minister, and urged immediate federal action.

We welcome continued all-party support for our efforts on this issue. Following up on the motion passed yesterday by the Public Accounts Committee, I am writing to invite your caucus to name a MLA from your caucus to join Minister Upshall in making our province's presentation to the House of Commons Agriculture Committee this Thursday, November 25.

Minister Upshall's public, televised presentation to the House of Commons is a critical opportunity to make our province's point to Ottawa, as the federal government considers its response to this issue. Support from your caucus for our province's presentation will underline the seriousness of this issue, and thus assist our farm producers.

Thank you . . .

This letter also went to Mr. Osika of the Liberal Party.

So we'll continue on. Our last speaker is Mr. Goohsen.

Mr. Goohsen: — Thank you, Madam Chairperson. I wanted to make sure that I didn't get into this — I had more than my share of time I suppose the first day we went at this — and so I hope everybody else has had a fair chance at it.

It's so hard to know where to start when you talk about a

problem as big as the one we're facing. Obviously Mr. Shillington alludes to the fact that he is not actively farming, but I want to assure all of you that I visited with Mr. Shillington many times and I know that he is as aware of what's going in farming as I am. But we will of course disagree probably philosophically on how aid packages should be delivered.

And of course what I'd like to remind you of is that this is not a philosophical debate. This is, by all accounts of everybody that has talked about it, a disaster. And we're talking about here a disaster fund and a disaster payment, nothing that's going to be classified as long-term has been mentioned in this context. And I think we have to make sure that we dwell on that point as we deliberate how we should approach the problem and ask for help.

If we're looking at long-term solutions like NISA, it's quite fine to have it attached to your income, net or gross, and it's quite fine to create an accounting nightmare because every farmer, like every businessman, has to have an accountant or an ability to do his own accounting and he will go through that process. Unfortunately though these are always long-term kind of programs, when you have to include your accountants and all of the farmers in the province are running to their accountants at the same time to try to get in on a crisis-situation funding, that means that it's no longer going to be dealt in a timely and quick manner.

Because of course you have to employ all of the resources of accounting throughout the whole province and that taxes their abilities to be able to perform. It just, by the very nature of the complexity of the farm business and the amount of accounting that goes into it these days, it does mean that we will have a long period of time before farmers could access any money that was made available.

So if we're talking about a disaster fund, I suggest to you that we have to stick to that concept for the moment and the only easy way to get money into the hands of farmers quickly is to go on those simple formulas that are not always necessarily fair, but they are simple and they're quick. Acreage payments do that. I know there's a thousand arguments against them, just as there are a thousand arguments against basing it on income, but it is the only quick and fast way.

If you start getting into complicated formulas, you will find yourself in the same mess we were with GRIP. GRIP had some really good intentions at the start, but by the time we finished we had created an accounting nightmare. And we had created a nightmare in the minds of farmers that they could not grasp. They didn't know how to access the program themselves. They were frustrated, they were angry. It just got too complicated.

And so, I would point out, Terry and the rest of the members of the panel, that keep in mind this is a disaster fund — that's what I would beg of you to do — and to approach this problem when you're negotiating with people on the basis of getting it done quickly and simply.

I want to go back, Mr. Scott, if you don't mind, to what Madam Chairman was discussing earlier though with regards to the grazing leases. Because of course input costs are always a big factor of how the farm economy can survive.

You talked about the processes and you talked about the formula that is put into place to determine those leases. I was wondering if it would be possible, I guess first of all, if we could have a copy of that formula sometime so that we could work on it.

Mr. Scott: — Yes, we'll table the formula for you . . . (inaudible) . . . at your office.

Mr. Goohsen: — I appreciate that because I do believe that there are some farm groups that could perhaps work on that. And I do recall that the minister had suggested that he might consider changing some of the approaches on some of the formula. And if that's true, certainly we would invite people then to participate in that process of planning for the future.

In the area that you talked about where you felt that you should distribute the monies from the Crow benefit through a process of reduced lease fees, I've had ranchers — basically I guess I should call them, not farmers, but basically ranchers in the south-west. Of course there's quite a lot of Crown land and so it is a significant problem for a large part of my constituency. They pointed out to me that they felt that they were hard done by to some extent because the Crow benefit was paid out to other farmers as a tax-free payment.

And when the department attached the payment to reduced lease fees, they felt they got hit with a double whammy in the area of taxation. And you can correct me here, you see, as we go along if we're wrong on this.

Because what they've told me is that other people got it. It was a tax-free amount of money. They first of all didn't get the cash, so they didn't get the benefit of having a lump sum of cash in their hand that was tax-free money to use to put into diversification, building feed lots, or whatever else might come to mind. But being ranchers basically I suspect that that's what their line of thought would have been, would be to diversify in those areas.

The other whammy that comes with it, they said, is that because they now had reduced payments to make, they also of course lost a deduction from their income tax as a cost to them. If, they said it couldn't be . . . the problem could have been solved by adding an artificial amount to their bill that the government could have said, well you paid \$1 in cash but it was worth \$2 so you get a \$2 tax deduction for your input cost. But that apparently didn't happen.

Would you care to comment on how you addressed those taxation problems?

Mr. Scott: — If we were to add an artificial amount to the tax bill, I presume it would have to be somewhere that that cost would be picked up and we would have had to have an adjustment from the federal government. In other words, enhanced dollars in the program in order to make that a break-even proposition. Now those enhanced dollars weren't there. They weren't part of the package that the federal government offered by way of transition. So that wasn't done.

When we made the decision about how to treat our Crown land lessee situation with respect to the Crow transition dollars, I

think it's true that the private market as far as land leases goes, there were arrangements all over the map. And we looked at that and we were aware that some landlords, and we of course are a landlord, but some private landlords were not passing any of the savings on at all to their lessees. Others were sharing it. There were all different kinds of sharing arrangements.

And what we attempted to do was to design something that would be somewhere in the middle of what was going on around us with respect to other leasing arrangements. And so we went with the adjustment to deal with the lag effect that Greg has mentioned, adjusted the lease rate for that downward. And, of course, as I mentioned the lease rate is automatically down because when the freight rates go up — which they did as a result of the transportation policy change — the commodity prices are going to be lower forever effectively. And when those prices are lower forever that means that our lease revenue that we collect from our lessees is lower forever. And so that is, of course, a benefit that the lessee receives.

And we tried to be somewhere in the middle. You know we didn't want to be on the extreme of what was happening in the private marketplace. We endeavour at all times not to be the market setter in this area because that does tend to get us into some criticism from the private leasing market.

Mr. Goohsen: — I'm not saying that the program you came out with is wrong or anything like that. I'm just saying that some tax advantages that other people got ranchers felt that they didn't get. And that can be significant actually when you're talking about business operations that handle a half million to a million and some of them 2 or \$3 million a year. Tax implications are very important to business and to ranching operations as well as other people.

So I did say I would bring the matter to your attention, then give you the opportunity to answer so that people can consider that. And I suppose next year I'll be back with their rebuttals and so I thank you for those answers.

In the area of the formulas, has it been considered, or is it a part of the formula to take into account the productivity of the properties or the lands, the pastures I guess basically we're talking about? There's some crops — productivity — is that taken into account or is it just with cattle, the price?

Mr. Scott: — I'll ask my expert to deal with that one if I may, Madam Chairperson. Greg Haase.

Mr. Haase: — Yes productivity is taken into account. And by productivity I mean a potential for productivity. Talking specifically about grazing leases the range science community has an assessment procedure of assessing the potential for productivity on rangeland and that is what is used in the calculation. So fescue prairie in the North would have a higher productivity rating than a shortgrass prairie in the South. And those numbers would . . . (inaudible) . . .

Mr. Goohsen: — Is there a time sensitivity factor? And of course I specifically refer to the drought of last spring where all of a sudden we were faced with a springtime drought which is hard on pasture but that doesn't necessarily affect crops, which obviously it didn't.

Mr. Haase: — The rating that is placed is considered to be a conservative average potential rating. Then further to that in our formula we have a factor of 80 per cent, which means that we charge 80 per cent. We charge for four years out of the five essentially is what the formula would calculate. It was put in there to allow, we call it, a constant stocking factor. In order to achieve average production, farmers and ranchers would have to vary their cattle numbers each year which of course they don't want to do. And so range scientist's advice was to charge a value of 80 per cent of that, which would take . . . which would get you through several years of drought. And that's part of the formula.

Mr. Goohsen: — Mr. Scott, I want to take you back to page 129 and 130 of the chapter 12. In the area of The Agri-Food Act and the things that are listed underneath that Act, I just want to take one item maybe and sort of just go through it a little bit and see how we've accomplished the things that we set out to do last year. Now let's say, for example, the Saskatchewan Canola Development Commission or you can pick another if you like.

Could you follow through on how the reporting . . . As we will recall last year in February, we talked about this, and we talked about the need to get some more direct accountability. And I do see that there are some more new recommendations on the next page. How have we done in that area of the requests that we've made?

Mr. Scott: — I'll make some general comments and then perhaps I'll call on Laurier Donais to fill in some of the details if you require them.

Subsequent to the direction that we received from the Public Accounts Committee we, we met with the representatives of the Provincial Auditor's Office and we struck some joint recommendations in terms of reporting and accountability systems with respect to the marketing agencies under The Agri-Food Act.

And subsequent to that, I believe we've met with all of them — Laurier may correct me on that — but I believe we've met with all of them to explain these proposals to them. And we have . . . we're just now in the middle of receiving some feedback from the individual agencies as to whether they feel they can work with these proposals that we, that we've developed.

The responses so far — although it is early, we've heard from, I believe, two or three of the agencies — seems quite positive and leaves us with the impression that we, that we should be able to make some very substantive progress on this issue over the next few months. And that should reflect itself I think in some improvements for the next fiscal year.

Now I don't know if Laurier has anything he'd like to add or if you have any further detail that you'd like on that, but I'll leave that to you.

Mr. Goohsen: — Well, I think it looks like we're working in the right direction for what we were thinking of last year, so I guess we'll just deal with it as we go through it and probably that will be sufficient. I just wanted to make a comment about the member from Lloydminster's suggestion that there may only be three farmers left in the south-west and five in the

North. I really hope I'm not one of either of that group. I wouldn't want to be the only one left out there, and it might be hard to figure out who should shut the lights off.

And in that view I'm particularly happy to hear from our Madam Chairman today that the Premier has responded to our initiatives yesterday and bid for . . . I'm very happy to say on behalf of my constituents at least that we're glad that the Premier and the Minister of Agriculture are reacting and responding and we hope that this process continues.

I think, Madam Chair, that's all my questions for now.

The Chair: — Thank you very much. Any other questions? We'll go on to the recommendations that were laid out so nicely for us by the Provincial Auditor I believe. We start with the *1997 Fall Report*.

Recommendation .14, concur and comply. I guess . . . do you concur? We have had a request to say that we concur with it if you do concur.

A Member: — Yes we concur.

The Chair: — Yes, okay. Concur and compliance .14

.19 concur and compliance?

A Member: — Agreed.

The Chair: — .20, concur and compliance?

A Member: — Agreed.

The Chair: — .25, note progress. Agreed?

A Member: — Agreed.

The Chair: — .32, concur and compliance?

A Member: — Agreed.

The Chair: — .40, Beef Development Board, concur and comply? I think the Beef Development Board is concur and comply and Agri-Food is concur and note progress.

A Member: — You're right.

The Chair: — Okay. .41, Beef Development Board, concur and compliance?

A Member: — Agreed.

The Chair: — Agri-Food Innovation Fund, concur and note progress towards compliance.

A Member: — Agreed.

The Chair: — I trust everyone has read these.

.45, concur and compliance?

A Member: — Agreed.

The Chair: — .50, concur and progress towards compliance.

A Member: — Agreed.

The Chair: — .51, concur and note progress towards compliance.

A Member: — Agreed.

The Chair: — .57, concur and note progress towards compliance.

A Member: — Agreed.

The Chair: — If any of the officials have anything they want to be adding at these times you just have to holler.

.60, concur and compliance? Okay.

.92, concur and compliance?

A Member: — Agreed.

The Chair: — .93, concur and compliance?

.101, concur and progress towards compliance.

A Member: — Agreed.

The Chair: — .109, concur and compliance?

.113, concur and progress towards compliance? Agreed?

A Member: — Agreed.

The Chair: — We're in the spring report.

.08, concur and compliance?

A Member: — Agreed.

The Chair: — .09, concur and compliance? Agreed?

A Member: — Agreed.

The Chair: — .10, concur and note progress towards compliance. Agreed?

A Member: — Agreed.

The Chair: — .11, concur and note progress towards compliance.

A Member: — Agreed.

The Chair: — .20, concur and note progress towards compliance. Agreed?

A Member: — Agreed.

The Chair: — .21, concur and note progress towards compliance. Agreed?

A Member: — Agreed.

The Chair: — .22, concur and note progress towards compliance. Agreed?

A Member: — Agreed.

The Chair: — .23, concur and note progress towards compliance.

A Member: — Agreed.

The Chair: — .24, concur and note progress towards compliance. Agreed?

A Member: — Agreed.

The Chair: — .33, concur and note progress towards compliance.

A Member: — Agreed.

The Chair: — And .38, concur and note progress towards compliance. Agreed?

A Member: — Agreed.

The Chair: — Agreeable people.

I have to note that I neglected to welcome the officials from the auditor's office this afternoon — sorry about that.

And I'd like to thank the officials from both departments for your work and help. It was a great . . . you're definitely and probably pleased to be finished now with us, and we do appreciate the fact you came back this afternoon.

Mr. Shillington: — It's very useful for us as well. It's been a good session for which I thank the officials, Madam Chair.

The Chair: — It was great.

Mr. Scott: — Thank you very much.

Mr. Hillson: — . . . 5,000 farmers today. Can you put that in some sort of historical context say 20 years ago?

Mr. Scott: — Twenty years ago? I've got a stat book here if you want I can dig that out for you before I leave.

The Chair: — I just need a motion to adjourn and then you could . . . Mr. Gantefoer.

The committee adjourned at 4:46 p.m.