Building Saskatchewan's Future

Conference Proceedings
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PREFACE

As a part of its 1999 pre-budget consultation, the Government of Saskatchewan asked the Canada West Foundation and the Saskatchewan Institute of Public Policy to convene and host a broadly representative conference of Saskatchewan citizens to discuss citizen priorities and choices for the upcoming budget. A cross section of citizens and spokespersons for various organisations and interest groups were invited, and a one and one-half day conference was convened in Saskatoon, starting on November 30, 1998. The conference was entitled "Building Saskatchewan's Future". SCN-the Saskatchewan Communications Network-televised the proceedings.

This document contains the texts of the major presentations to the Conference, and presents a summary statement of the views of the delegates on the challenges confronting the province, the priorities that should inform budgetary choices, and their recommendations for the forthcoming budget.

A post-conference evaluation was undertaken, and the response from the participants was extremely positive. In large measure, we believe this was due to the excellence of the contributions made by the delegates themselves, and to the free and open manner in which they exchanged their sometimes quite divergent views. The Canada West Foundation and the Saskatchewan Institute of Public Policy want to thank sincerely all the participants for their contribution to what was, essentially, an exercise in responsible citizenship.

We also want to thank the principal speakers: Premier Roy Romanow; Minister of Economic and Co-operative Development Janice MacKinnon; Finance Minister Eric Cline; Dr. Jim Frank, Conference Board of Canada; Donna Dasko, Environics Research; and Doug Elliott, SaskTrends Monitor. Their presentations helped define both the challenges confronting the province and the resources available to meet those challenges.

We offer our special thanks to Dr. John Allan, Senior Policy Fellow at the Saskatchewan Institute of Public Policy, who edited these Proceedings.

Duane Adams, Roger Gibbins,
Director, President,
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Views of the Conference Delegates
Delegates to the Conference participated in three break-out sessions that provided opportunities for them to react to the presentations made in the plenary sessions and to exchange views with one another regarding the challenges confronting Saskatchewan in the short and medium term; the expenditure priorities that should inform and guide relevant provincial policy; and their opinions about what should be done in the forthcoming provincial budget. To facilitate discussion, the delegates were divided into ten Working Groups, each with an experienced facilitator and note-taker.

The focus in the first break-out session was on the identification of the problems and challenges confronting Saskatchewan as it competes in the global and national economies. A secondary objective was to have the delegates concentrate on one or more of these issues and specify what they believed should be done, in conjunction with governments, in respect of such issues. The initial part of this Report presents the conclusions reached by the delegates respecting the "challenges", and summarises some of the concerns or considerations recorded from their discussions. It then discusses, in turn, the priorities identified by the delegates, and their short-term budget recommendations.

**The Challenges**

Despite sometimes significant differences in the composition of the several work groups, there was considerable agreement in identifying the most pressing challenges. Certainly the rank ordering differed from one group to another, but education, the needs of First Nations people, and urban-rural relations were the fields in which most groups found their most pressing issues. Health care and agriculture were certainly identified as areas of critical concern, but only two groups considered them as the Province's most pressing challenge. Only one group stated explicitly that it saw the challenges defined largely in terms of the provincial debt (although the driving effect of the fiscal position was clearly appreciated by all the groups). Another common thread was concern over the longer-term tendency of the Province to lose through migration many of our young people. Some delegates also questioned the sufficiency of suitable jobs to keep them here.

There was widespread appreciation that meeting the challenges of the global and Canadian economies would require that the Province continue high levels of investment in human capital, and this at all levels of education. Several groups considered at some length the need for early childhood intervention, as a way of ensuring the subsequent academic success of some of the groups most at risk educationally, namely, the children of poor and aboriginal families. Perhaps the most common theme in the discussions of education was a concern that the educational system provide people with the skills necessary to match the requirements of the job market. There were delegates in virtually every group who perceived problems in this regard, and who expressed the view that difficulty in finding jobs that matched their skills may contribute to the outward migration of our younger people. Several groups observed that job creation had to be emphasised in
conjunction with the increased investment in human capital, to retain the people in whom we would be investing.

Another frequently encountered theme was the urgency of addressing the educational needs of the Province's aboriginal people. There was evident a general awareness of the critical role that the First Nations peoples must play in the future of the provincial economy and society, and a concern that they have the requisite skills to assume this role. In this sense, education was seen as contributing to overcoming the social as well as the economic challenges confronting Saskatchewan.

The other common educational thread that should be noted was the recognition by many delegates of a need to facilitate life-long learning. They noted that the economy is changing, and with it the skill requirements of the labour force. Skills are going to have to be upgraded or, in some cases, totally new skills developed, and this need should be recognised and accommodated by our educational resources.

Finally, several groups felt that meeting the emerging challenges would require considerable adaptation on the part of the K - 12 system, and that this would be facilitated by a comprehensive review process in which business, labour, government, and the communities should participate, together with representatives from the educational system.

More fully realising the potential of our First Nations peoples was another of the primary challenges widely recognised by the delegates. The need for educational programs designed to match the skills of our aboriginal citizens with labour-market requirements has already been noted. One group observed that this assumed particular urgency when it was realised that, while there may be migration from the reserves to the cities, First Nations peoples typically remained within the Province. It was therefore imperative that they be provided the skills necessary for labour-force participation. Other groups commented on the urgency of facilitating investment opportunities on the reserves through various partnership arrangements in which governments should be actively involved. Some delegates also urged that greater efforts be expended in promoting a greater understanding of First Nations peoples among the rest of the population.

In virtually every group, concern was expressed over the viability of rural infrastructure, but both delegates and groups were split on the appropriate remedy. Some observed that, given the changes affecting the provincial economy, the migration to the urban centres would almost certainly continue, with the implication that the Province could not afford to maintain the rural infrastructure on the present scale. This would then require a redefinition of longer-term sustainability that was compatible with available resources. Others, however, argued that the rural fabric had to be sustained and the quality of rural life improved. Social programs aimed at rural populations were specifically identified as one vehicle for achieving the necessary quality improvements. Providing incentives to encourage rural residents to invest in their communities was also proposed. One proposal that was encountered in groups on both sides of the rural divide was that of encouraging increased "value added" within the Province, this being predicated on the further exploitation of our agricultural industries. A major emphasis on encouraging our citizens to consume more of what we ourselves produced was also proposed frequently.
One group suggested that the magnitude and complexity of the rural problems warranted the appointment of a Royal Commission or comparable body to review the situation in depth, and provide considered recommendations as to what should be done.

It is of some interest that while several groups were very concerned about the present crisis in agriculture, most were inclined to treat this as an urgent but temporary matter, and so not the primary focus of the exercise in which they were engaged. This may be why only one group identified this crisis as the primary challenge confronting the Province. Providing relief from this crisis should, this group believed, be the primary charge on the available fiscal resources. Several groups, however, recognised a challenge to strengthen the agricultural base of the Province, diversification and more extensive local processing being the most frequently mentioned means of accomplishing this objective. There were also several expressions of desire to ensure that agriculture remained the domain of small, locally-owned businesses. It was acknowledged that this would require efforts to ensure an improved quality of rural life.

Finally, one group saw an overarching challenge in the need to restructure financing and expenditure priorities to meet the demands of globalisation and increasingly competitive trade. This group was also extremely concerned about the implications they foresaw from the aging of our population. These developments, they believed, suggested in the strongest terms the urgency of taking steps to slow the outward migration of our younger people, most particularly those in whom post-secondary educational investments had been made.

**The Expenditure Priorities**

For the second workshop session, the break-out groups were asked to consider, in the light of current demands for government services and expenditures, and forecasts of future needs and fiscal capacities, what the near-term expenditure priorities should be. They were also asked to reflect on the trade-offs among competing expenditure priorities and how these might be dealt with.

Not surprisingly, there was considerable - but not complete - agreement between the challenges that had been identified in the first workshops and the expenditure priorities recognised in the second. Education once more emerged as the primary focus of attention, with healthcare a close second. Measures directed to the First Nations people were a somewhat distant third priority, with infrastructure issues, including highways, ranked fourth. Again, only one group identified the current agricultural crisis as the top priority, while two groups felt that the priorities evident in the current budget structure were roughly correct, and so recommended no significant change.

The educational priorities identified paralleled closely the nature of the challenges that had been perceived. Maintaining expenditure levels was considered essential, but it was felt by several groups that there was considerable room for efficiency gains in this field. To achieve these, one group recommended a comprehensive review of the objectives, curriculum and delivery of all forms of education, from early childhood through post-secondary. Two others felt that this was necessary for the K - 12 system, while several expressed reservations concerning the effectiveness of one or other aspect of educational management. A theme encountered time and again was the need for greater emphasis on job-related skills training. Also emphasised was the need to redirect resources to provide improved services to marginalised youth. In this regard, an interesting
proposal was for the incorporation of employment co-operatives into the school system, to permit needy students to receive some remuneration while still at school, and to facilitate the transition to effective and productive labour-force participation. Again and again delegates insisted that the provision of market-relevant labour skills was an essential priority.

In identifying expenditure priorities, the emphasis on healthcare was somewhat stronger than had been the case when the focus was upon specifying the challenges confronting Saskatchewan. The maintenance or improvement of current levels of expenditure in this area was a generally accepted priority, although several delegates expressed the view that, once the "wellness" model is fully implemented, some savings should in fact be possible. Also, there were several expressions of concern over the effectiveness of health-care expenditures, with health-care management identified as being suspect. In this context, three groups suggested that financial resources should be reallocated away from management and administration and towards the "frontline", where need was perceived to be greatest. It was also suggested that efficiency could be improved by more decisions being made locally.

As indicated above, there was a substantial gap between the priority delegates accorded education and health and that given to aboriginal issues and the urban-rural relationship. It was quite clear from the discussion that these latter issues were not considered unimportant by any group; it was simply that, given present fiscal pressures, the consensus was that educational and health needs had to be met first. It is also worth repeating that several groups made it quite clear that better performance in meeting the educational and training needs of the First Nations people was one of the highest priorities within education. Also emphasised was the necessity of integrating First Nations people more fully into the labour force and the economy, a process, it was suggested, that could be accelerated by the provision of appropriate incentives.

While it was not identified as one of their top priorities, maintaining and improving the provincial infrastructure was still viewed as a matter requiring urgent attention. In particular, several groups did note the severity of the highway maintenance problem, and some delegates called for this to be given a higher priority than at present. An important qualification, however, was the perception that circumstances did not permit the preservation of everything that we now had. Rather, what was necessary was a comprehensive assessment of future needs, and these should then determine what ought to be preserved, maintained, or expanded. An awareness of the nexus between a viable and sustainable highway grid and the quality and viability of rural life was evident in the discussions of most groups.

The Budgetary Implications

The Conference plenary sessions and the earlier workshops had as their objective providing participants a comprehensive overview of the present circumstances of the Saskatchewan economy, the economic context in which it operates, and the social, economic and fiscal challenges it faces. The delegates had also been invited to identify the priorities they believed should be respected in addressing these matters. For the third workshop session, they were asked, in effect, to translate the evident challenges and their priorities into specific recommendations respecting the relative merits of (a) debt reduction; (b) tax decreases; and (c) increased expenditures for investment or social purposes. To assist them in this, and to impose the necessary budgetary constraints, they were
asked to undertake their fiscal arithmetic assuming a fiscal forecast for a budget that was, for all practical purposes, balanced. In consequence, any debt reduction, tax cuts, or expenditure increases they might recommend would have to be accompanied by a specification of how these measures should be financed, whether by selective tax increases, compensating expenditure reductions, or by deficit financing.

Changes to the structure and level of provincial taxes were hotly debated in the breakout groups, with all groups but one declaring that changes were required on the revenue side of the budget. While there was considerable variability in the specific tax proposals, there was consensus on one issue: the longer-term provincial tax structure had to reflect significant tax reductions. Short-term reductions, however, were more controversial, with some groups concluding that they could not be afforded at this time. Indeed, some groups felt that short-term increases should be used to finance either increased program expenditures or, less frequently, reductions in other taxes.

Among the groups that favoured tax changes, four recommended tax increases to finance high priority expenditures or debt reduction; two recommended tax decreases; and three recommended a combination of increases and decreases. Most frequently identified as candidates for increases were what the delegates referred to as "sin taxes": smoking, alcohol consumption, and gambling were the preferred targets of four breakout groups and of individual members in other groups. Only one group achieved a consensus that these activities should not be targeted, the rationale provided by this group being that any further increases in these areas would simply be perceived as a "money grab" by the Government.

Another revenue source frequently cited by delegates was the Fuel Tax. Three groups recommended that this be increased by 1-cent per litre, while one recommended a 1-cent reduction to encourage truckers to purchase gasoline within the Province. One group strongly recommended that any increase in this area be clearly identified as a source for increased expenditures on highway maintenance, while many delegates favoured the earmarking of this revenue source for this purpose.

A very wide range of other tax changes were recommended by one group or another, but none commanded general or even widespread support. For example, two groups (and individuals in several other groups) wanted tax relief targeted to lower-income recipients, with this relief to be financed, if necessary, either by tax increases focused on luxury items or by an increase in the high-income surtax. One of these groups indicated a preference for the relief being provided by means of a targeted reduction in the flat tax. Two other groups, however, indicated a preference for reductions in the personal income tax (PIT), one singling out the high-income surtax as a prime candidate for reduction, and the other identifying a reduction of at least one per cent in the PIT as "a political necessity". The former of these groups also recommended a reduction in corporate taxation, with both tax reductions (i.e., in the PIT and the CIT) being conditional on increased investment in the Province by the beneficiaries.

Two groups identified resource royalties as an area where increased revenues might be sought, although one specified that oil and gas should be exempted from such increases. Another advocated a reduction in sales tax on goods and services purchased by municipalities and universities, to assist them in rebuilding their infrastructures. Still another advocated a provincial tax credit in respect of
volunteer activities, although there was no indication as to how such a credit might be administered. Yet another recommended a two-tiered provincial sales tax, with the lower rate applying to necessities, and a higher rate to all other taxable items. This group also favoured the introduction of a provincial tax on financial transactions and on what they described as "high tech" items. Finally, one group wished any debt reduction at this time to be financed by an increase in the debt-reduction surtax.

In general, in reading the reports from the various groups there is very little evidence of undue concern over the level of taxes in Saskatchewan. Individual members of several groups were clearly worried about the impact of high taxes on provincial competitiveness and on the willingness of mobile people to remain in the Province, but it would appear that they were unable to persuade a majority of their groups that tax competitiveness was a substantive issue at this time.

On the issue of debt reduction, several groups expressed the view that one-third of any surplus should be dedicated to this objective, and virtually every group saw it as an important longer-term goal. None, however, was prepared to recommend either short-term tax increases or expenditure cuts to finance more rapid progress towards debt elimination. Equally evident was the virtual unanimity that deficit financing should not be used to facilitate either tax decreases or expenditure increases.

The various combinations of budget measures advocated by the ten break-out groups were characterised by considerably greater variability than had been the case when they considered the challenges confronting Saskatchewan and the priorities that should govern the manner in which these challenges ought to be tackled. Indeed, in several instances, there was some inconsistency between the budgetary recommendations and the earlier conclusions regarding challenges and priorities, possibly as the result of the ideas of the delegates having evolved as the Conference proceeded. Apart from the agreement that deficit financing should be avoided, and that there should be no extraordinary effort at this time to reduce the outstanding debt, the proposals of no two groups were particularly alike.

Perhaps the only observation that might be added regarding the expenditure recommendations is that very few groups recommended increases of significant size in any field of spending. Indeed, where values were attached to recommendations, most were relatively small. It is useful to note that, in those few instances where larger increases were recommended, the fields involved were typically education, health, and transportation/highways. In one case, a group did recommend an increase of $86 million for short-term agricultural relief.

In summary, the one conclusion that seems warranted from a review of the discussions of all the groups is that there was among the delegates a general awareness of how little fiscal latitude there is at this time. In consequence, they appeared reluctant to propose major changes, most particularly on the expenditure side of the budget. They appeared to be constrained by a perception that, while there are several areas of exigent need, there appear to be few or no relatively painless sources of funds to finance these.
Proceedings
Mr. Premier, honoured guests, participants from all regions of Saskatchewan, and home viewers watching on SCN Television: Welcome to this Conference on "Building Saskatchewan's Future". We appreciate the time you have taken from your busy schedules to come together today to share your thoughts on how our Province should address the challenges before us.

I am Duane Adams, the Director of the Saskatchewan Institute of Public Policy, and your Conference Co-chairman for today. My colleague, Dr. Roger Gibbins, who is President of the Canada West Foundation, will be your Co-chairman tomorrow.

Many of you may not be familiar with the Saskatchewan Institute of Public Policy, or SIPP, as we refer to ourselves. We are a relatively new institute of the University of Regina, and one of our goals is to encourage dialogue about important public-policy issues. And nothing can be more important than planning and preparing for the future of our own provincial society.

World economic conditions are not favouring our Province these days. The choices before us are not clear cut, and the expectations our citizens hold for our Government are both conflicting and difficult to reconcile. Before making its budgetary decisions for the coming fiscal year and setting directions for the years to come, the Government of Saskatchewan is looking for non-partisan citizen advice. To assist in formulating that advice, the Canada West Foundation and our Institute were asked by the Government to provide a forum in which independent views could be developed and shared. Both we and the Canada West Foundation are pleased to assist Saskatchewan citizens explore the options for their future society by sponsoring and convening this Conference.

Over the next day and one-half, we shall attempt to achieve two things: First, we are going to provide you with a realistic overview of the present circumstances of the Saskatchewan economy, and the social, economic and fiscal challenges likely to be faced by the Province in the years ahead. Second, through the use of small-group workshops, we are going to ask you to utilise this information and your personal experience and knowledge to generate recommendations concerning the priorities that should inform provincial budgetary policy, both in the short and medium terms.

We shall bring all this information together by the conclusion of the Conference, so that it may be shared with the people of this province and the Government of Saskatchewan. And then we are going to publish it so that everyone knows what you, as a group, think and have recommended.

For the television audience, we encourage you to watch the televised portions of this Conference as they are broadcast throughout the next day and one-half. This is an important opportunity to think about the challenges we face and the choices we have in Saskatchewan. Late tomorrow afternoon you will know what your neighbours in this room believe are the most important priorities and choices for all of us in Saskatchewan.
For those of us here, we might want to remember that all the sessions held in this room will be televised. Televising the proceedings places one tough requirement on all of us: We must be on time, both beginning and ending every segment of our program. I ask for your co-operation, speakers and facilitators also, in adhering to our timetable: each segment of the program must be completed on schedule in order that we can return to this room on time for the home audience to join us.

At the conclusion of the formal briefing presentations in our program, the time remaining in each segment will be used for questions from the floor. The microphones at the front are for that purpose. I should tell you that we wish the discussions of this Conference to be as open as possible. The media are welcome to sit as observers at any of the small- and large-group sessions. Our agreement with them is that they will not film or tape small-workgroup sessions so, as not to disturb your discussions.

Premier Romanow, Finance Minister Eric Cline, and Economic Development Minister Janice MacKinnon want to listen to your views throughout all or part of the Conference. They are the only provincial or federal officials, elected or appointed, who are participating in this Conference.

I do wish to make clear that this is not a partisan political meeting. Both Dr. Gibbins and I ask for your assistance in honouring that commitment. There is considerable diversity of views regarding priorities and issues, and we hope, in the time available for discussion, to hear the whole range of these expressed.

I hope the next day and one-half will be both enjoyable and stimulating. At this point, none of us knows what advice will emerge, and that is surely part of the excitement of a conference such as this. What we are confident about is that each of you will adopt a broad and balanced perspective in considering how our society and provincial economic future can be secured during a period fraught with challenge. Ensuring this was a primary objective of the Saskatchewan Institute of Public Policy in the process of issuing invitations to participate in the Conference. We look forward to learning what you have to say, and we thank you for participating in the "Building Saskatchewan's Future" Conference.
NOTES FOR REMARKS:

The Hon. Roy Romanow, QC
Premier of Saskatchewan

Building Saskatchewan's Future Conference

INTRODUCTION

It's my pleasure to join you here today for this important conference, at which we will continue our work of charting a course for Saskatchewan's future. My first duty is to welcome those of you from out of town to Saskatoon - my home town. I hope you will be able to find time to enjoy our hospitality, and that you will come back and visit. And I want to thank all of you for taking time to participate in this consultation process.

Friends, this is not easy work. But it is necessary work. We have important decisions to make. And we are counting on your guidance and support to make them. From the beginning, our government has worked as a team - and we have always tried to make sure that the people of Saskatchewan are part of that team.

We are gathered here to talk about "Building Saskatchewan's Future." Through the next two days, we will be discussing important issues: The challenges we will have to face together. The role of government in dealing with those challenges. And the priorities as we formulate our next budget.

We have important decision to make in areas of taxation, spending, debt reduction, and investment. And all in the often bewildering swirl of unceasing challenge and change.

Friends, the great British leader Disraeli said, and I quote, "Change is inevitable in a progressive country. Change is constant." Change is inevitable - except maybe from a vending machine!

So our challenge, here these two days and throughout the budget process, will be how to build Saskatchewan's future, as we seek to find our way in that climate of constant, inevitable change.

With your help, we can find the way! And I believe we can find our way best if we steer by the stars that have always guided us in the past: Our Saskatchewan values of common sense, compassion and community. We can find the way - the Saskatchewan Way!

THE SASKATCHEWAN WAY

Friends, there are consistent cultural pressures for us to re-examine how we organize and govern ourselves - to examine the relationship between government and society. In particular, there is a growing sentiment in Saskatchewan and Canada that we should adopt parts of the American political model, slashing taxes and dis-involving government wherever possible.
The American way, as I see it, focuses on the primacy of the individual. And in the last eighteen years or so, there has been an increased emphasis of the concept that government is to be feared and distrusted, that society is best governed by market forces alone.

Now, I find much that is admirable about our neighbours to the south, and in their political system. Their enterprise and energy have enabled them to build a wealthy and advanced society. But it is a society where twenty per cent of people have no guarantee of adequate health care. A society marked by persistent homelessness, crime and social imbalances.

I prefer the other way. The Saskatchewan way. I prefer the way of balance. I prefer the way of community, of people working together. The Canadian historian William Kilbourn once said: "If competitive individualism is the mark of America, then the co-operation of groups within large institutional structures is an essential Canadian value." In other words, government does have a role to play. Not the only role. Perhaps not even the most important role. But government does have a role - as an institution whereby the people might express the values we hold as a society: those ideals of common sense, compassion, and community I mentioned earlier.

Now, these ideals don't come to us out of textbooks. They come to us out of our shared experience. In describing the pioneer experience, the Saskatchewan folk-singer Connie Kaldor describes our province as "a land that is harsh and unforgiving." Our ancestors built their futures on that harsh and unforgiving land, on foundations of hope, hard work - and faith in one another.

Talking about our winters, the past president of CIDA once said "A rugged individualist won't last 'til spring if things go wrong. But if people co-operate, they can survive.”

And if I may return to Connie Kaldor, she says you can learn a lot about how Saskatchewan people have survived our scorching summers and freezing winters by looking at a bag of frozen peas. "You thaw those peas, and freeze 'em," she says, "and thaw 'em, and freeze 'em, and thaw 'em, and freeze 'em - well, they get a little fuzzy, but they stick together."

We stick together. It's the Saskatchewan way.

CHALLENGES MET

The Saskatchewan way has allowed us to not just survive, but to thrive - to build a good, honourable, decent society of which we can all be proud. And when times got tough, we kept going, by making like those frozen peas and sticking together. When we couldn't break the grip of outsiders on the commodity markets, we built co-operatives.

We stuck together. We did it our way.

When we needed to supply world-class utilities to our widespread population, we built our own utilities.

We stuck together. We did it our way.
When some Saskatchewan people couldn't get the medical care they needed, we invented Medicare.

We stuck together. We did it our way.

And when we needed to get our finances back in order, we got together - the people, the businesses, the communities of Saskatchewan - and we did it our way. Because our way works. The Saskatchewan way works.

And we can use the Saskatchewan Way to build this province's future.

NEW CHALLENGES

And we have no shortage of issues, no shortage of challenges facing us as we take those first steps down the road that leads to our future.

At the moment, I can see such issues as:
Trying to maintain strong and necessary social policy in the face of unilateral federal reductions in social spending. Just for example - we want to have the strongest possible health care system, but we have to fund it in a context of vanishing support.

Trying to integrate our economy into the global economy. We are seeing just one effect of this challenge in grain prices that are collapsing because of economic problems half a world away in Asia, and because of subsidy wars being waged by Europe and the U.S.

And trying to cope with structural changes in transportation. Branch-line rail abandonment and elevator closures oblige farm production to move onto roads, which in turn causes greater wear and tear, which in turn raises repair and maintenance costs.

Add to that the ongoing challenge of keeping the economy growing and diversifying, and we have plenty of work to do. And while we keep our eye on these concerns, we have to look farther down the road to the future, towards challenges that are just now peering at us from beyond the horizon.

Just to offer one example, I note that tomorrow you have a plenary session devoted to demographics - the changing face of Saskatchewan. I don't want to steal anyone's thunder, but just let me point out that we are a "graying" population, which has obvious implications for health-care, for long-term care, for housing, and for the workforce. At the same time, we are also going to see a surge in the young aboriginal population, which has obvious implications for education and training.

Yes, these issues are not yet upon us. But it wasn't raining when Noah started building the ark. We need to start planning now. The larger contexts of time, place and circumstance demand it.

We are thinking about the future, but in a very real way, the future is now!
CONCLUSION: CALL TO ACTION

Friends, we can't do it all. We live in an interdependent world, where other nations' difficulties can easily become ours - and where their opportunities can be ours as well. We have to do what we can. We have to do what we can to build ...

- A Saskatchewan with a strong, diversified, full-employment economy;
- A Saskatchewan where people live long and healthy lives;
- A Saskatchewan where quality public education gives all our children the tools they need for their futures;
- A Saskatchewan where children grow up in safe, secure families, and where families live in safe, secure communities;
- A Saskatchewan where we can build a strong, vibrant and sustainable rural way of life;
- And a Saskatchewan where we maintain fiscal stability and integrity.

A lot of demands. But the Saskatchewan way has been to balance the many points of view we hear, to build consensus, to create a future. We need to dedicate ourselves, here today and on into the future, to focussing ideas, energy, and resources where they can provide the greatest possible benefit to the people of Saskatchewan.

That means we need to search for "synergies," areas of investment or tax reduction that create multiple positive results. Like investing in education, which can help the economy by preparing skilled workers, at the same time as it reduces spending on social assistance and even the justice system.

It won't be easy. Nothing worthwhile ever is. But we can do it. By working together. The Saskatchewan way.

I want to thank the Saskatchewan Institute of Public Policy and the Canada West Foundation for all their efforts in organizing this conference. I'm grateful that you have all had the opportunity to make your voices heard in this important debate about our future. The decisions we make today will have a profound impact ... for all our tomorrows.

Thank you all very much, and God bless.
Building Saskatchewan's Future Conference  
November 30 - December 1, 1998

Dr. James G. Frank, Vice-President & Chief Economist  
The Conference Board of Canada

Well, thank you very much Mr. Premier, Chair and delegates. I am extremely pleased to have this opportunity of speaking to you today and of talking about some of the issues that I think are important not only to people in Saskatchewan but also to Canadians generally.

As you can see, I have subtitled this text, "Seeking Saskatchewan Advantage" because I thought it would be an interesting play on words in the context of the challenge that you constantly faced from your neighbour to the west. Hopefully, I am going to give you ideas regarding some strategic considerations that at least we think are important from the perspective not only of Canada but certainly here in Saskatchewan, as we go into the next decade.

I am going to do three things in the time I have: I am going to cover a little bit on the global scene; I am going to talk about Canada and Saskatchewan; and then I want to shift gears and take us to a bit different level and look at some of the questions that are important in the future as we look to improving our performance and, of course, our potential as a country.

If I had a few messages opposite the global scene, it would be these four:

First of all, growth is definitely slowing in North America, and this is hardly surprising. While we think the risk of a recession in the next year or two is for us pretty limited—and we have been fairly confident in that outlook in the last while —it has to be noted that a quarter of the world is in recession. Now that quarter is a long way from here, but I am going to try to make the point that things in far away places do make a difference here in this part of the world.
Japan and China will be pivotal markets for us as we go into the next decade; China has enormous potential and it is a market that everyone really has to be into. If you look at your primary market outside North America, you will see in the context of Japan, that they are suffering a very, very serious economic setback and the outlook for 2000, with some small growth in real GDP, is really quite problematic. Frankly, I think that the chances of them actually turning this around are rather limited.

There are serious structural problems in Japan in their service sector, both in retailing and wholesaling, which is in contrast to their export-goods sector which we are all quite familiar with. It’s an extraordinarily diverse and dichotomous economy, but Japan is a major market for you; it takes approximately 9% of your exports, so if Japan grows slower or gets into difficulty, it feeds right here into Saskatchewan.

Look at China. It seems to us as we do our work that inflation is nicely under control in that part of the world, and they will turn in a growth rate of around 8% in 1999. Just think of it this way, there's 1.2 billion people in China.

It’s the largest single market on the planet and incomes are rising rapidly; there’s a very solid middle class emerging and the potential for business opportunities and exports is huge. China at the moment is taking about 7% of your exports and I would say to you that if there’s a market that’s likely to grow rapidly over the next decade, it will be in that part of the world.

Turning back closer to home, half of your exports go south to the United States front. It is obviously the major market for Canada, and in the comments I am going to make in the third part of my presentation, I am going to say that it is our major competitor in North America. And they are a formidable competitor. Right now they are a major
taker of just about every product that we want to think of in this country, but they are also an economy that is at the peak of its business cycle.

When you look at the growth rate in 1999 at just under 2%, I am happy to say to you today that it looks like that could be a bit modest. In fact, they may perform even more strongly than that, which would be great news for us. Their economy has been going through a change that have generated a currency that is way over valued at the moment. So the United States has been importing significantly from Asia and, of course, Canada, Japan and China. Their currency is too high. As we look forward we can expect the Canadian dollar to rise against the U.S. dollar. We have been living with 65¢ recently, but that is not going to be sustainable.

As far as trade generally is concerned, you can see on the bottom line of this chart that all Canadian exports to Asia declined by 34% in the first half of this year compared to the previous year. In contrast, our imports rose 18%, so you can see what's happened: the devaluation of their currencies and the slow down in their markets have meant that we have been able to sell less to them. That has affected Saskatchewan as well as the rest of the country.

The newly industrialised economies –Hong Kong, Singapore, South Korea and Taiwan– are experiencing growth declines of about 3% this year, and next year we think that they will basically break even. But it was among the ASEAN Four that the world problems started. Remember Thailand in July of 1997. Well, that group of economies is actually contracting by 10% in 1998, and we expect another contraction in 1999. So they're a long way from being out of the woods.

So the key point here is that things in far away places really do matter for Saskatchewan. What I can tell you, though, is that with China holding its own, and Japan starting to turn around, we think that the worst of raw materials price declines is behind us.
As we look forward, there's no question that the tussle between China and Japan in Asia over economic power and dominance is going to take place, and quite clearly the size of that market, and its potential power, means that every business and every eye in Canada should be looking for opportunities there because they are huge and they are only going to continue and expand as we go forward.

Now with those comments in mind, I would like to turn us a bit more to the domestic scene and just talk a little bit about the situation for Canada and Saskatchewan. I'm going to try here to encourage the view that the outlook is perhaps not as dim as you may otherwise be thinking. This may be a challenge for me, but I'm going to give it a try.

Decent growth, all things considered. I think that's about the best way to describe the outlook. There's no real risk of interest rates moving north in any major way, at least not in the next year and a half or two years. Inflation is quite controlled, rising slowly as we go forward, in part because of the devaluation of our currency.

Now the fourth bullet here is important for Saskatchewan and, of course, for Canada because of the enormous numbers of construction projects both in this province and in Canada as a whole. These are helping to buoy growth and to diversify our economy, and the outlook is excellent as far as we are concerned.

The last point, having to do with consumers, is where we have to take a bit of a cold shower. I want to explain this briefly. In the third quarter of this year consumer confidence dropped like a stone and people were very nervous about the outlook. Employment growth was rather modest, people had built up debt to considerable levels—I'll show you that in a second—interest rates had moved upwards and confidence had dropped.
Look here in the prairie provinces—we don't survey for Saskatchewan alone, but I think you can guess which way things would have moved in Saskatchewan if I were showing you a chart for the province—where a year ago at this time our index of confidence was at 132. In the third quarter it dropped to 109. So in just a year that huge decline occurred.

I think as we go forward, that confidence is going to start to pick up and it will pick up for two principal reasons. First of all, we had a back-off on interest rates, which is encouraging, and second, employment has been a bit stronger than people thought in September—when this survey was conducted. But these were record declines and of course, they were quite a cold shower for people.

So what are the facts facing consumers as we go forward? There are five of them on this chart that I want to discuss in depth. The first two are sort of downers, savings rates and debt. The next three I'll call uppers, and my challenge is to persuade you that the positives outweigh the negatives. I make a lot of speeches across the country and I can tell you that it is sometimes difficult to make this case, so bear with me and see how you feel about it when we're through.

Here's the savings rate in Canada—zero. What has happened here is that people have tried to maintain their living standard by drawing down their savings rate—this is the savings out of current income, so its what you have when you take home your pay check, and basically in Canada we are spending it all.

In the province of Saskatchewan, in the short haul, you are actually spending more than you earn. You have a negative savings rate. Now this is not sustainable because, by spending more than you receive as individuals, you have to take on more debt.
This puts you at risk, of course, if there are any personal setbacks in your life, like a divorce or an illness or a job loss or whatever. But this attempt to maintain living standards has taken us quite some distance to building up debt as this chart shows. When we take consumer debt—which is credit cards, leases for cars, consumer credit in department stores—and add that to mortgage credit, we find that it is now equal to 100% of our disposable income.

You can see in the chart the steady march upwards since the mid '80's. Well Canadians have discovered that debt will support a lifestyle for a certain period, but as time passes, we have to pay the piper and what I can tell you now is that the carrying costs of this debt are rising as a share of our income. I think if you have been spending aggressively on credit over the last number of years, you should reconsider this practice. We have record consumer bankruptcies in Canada, and any turn for the worse in the economy will, of course, aggravate that situation.

So those were the two points I wanted to make to you on the downside. As far as consumer spending is concerned, we have for several years been building our society on debt. As we go forward though, we are going to be able to build it on incomes, and I want to try to explain to you how we generate income in this society and try and portray, I think, a fairly positive story.

The three charts portray how the employment growth rates are expected to change in the three prairie provinces—Manitoba, Saskatchewan, and Alberta—as we go forward. As we look at next year in Manitoba, we see a growth just under 2%, but that will result in something in the order of 9,000 - 10,000 additional people working in that province in 1999.
In the case of Saskatchewan, we see the weakest performance among the three provinces, and employment growth, we think, will add approximately 6,000 - 7,000 jobs in 1999. Now this will be a welcome turnaround because, as you know, since the beginning of this year employment has been falling gradually.

The provinces on either side of you have strong prospects, particularly Alberta. The latter is a red-hot economy; it has been growing extremely quickly and opportunities there are literally growing on trees. As you go forward, the growth rate in Alberta is going to slow down, and, given the level it was at, this is not surprising.
So what does this do when you add income to the picture? Well, the employment growth will translate into increased earnings, and real wages—the difference between your wages and inflation—are actually going to be rising again this year. We hit the turning point last year, and now, as we go forward, real purchasing power is starting to be seen in the system.

On this chart we have public-sector and private-sector pay adjustments. They are rising faster than inflation, so there are real gains occurring. This is also true, by the way, in the non-union sector: salaried workers are also experiencing the same pattern. So real-wage gains are occurring and this is excellent because it gives purchasing power to people and they don’t have to rely nearly so much or be tempted nearly so much to build debt.

What does this mean in terms of disposable income? This is what you have left after you pay your taxes; it’s your take home pay.
Real Disposable Income Growth: Manitoba

Disposable Income (Nominal) Per Capita: Manitoba

Real Disposable Income Growth: Saskatchewan
As you can see, we estimate that the average disposable income per person will be $17,600 in '99. For Saskatchewan, we are forecasting $16,300. Then look at the average in Alberta, $19,200.

Saskatchewan sits between those two provinces. It has the lowest disposable income of the three, and this raises the issue of how you boost that to try to keep the best people and the brightest people—your most entrepreneurial people, often the younger people—here in this province to build for the future. It is a real challenge because going west, the draw of higher incomes is very powerful, just as it was with the United States.

Now let me turn briefly to business confidence. Our index dropped 20 points in the third quarter, much like the consumer confidence index. Since businessmen are seeing their corporate profits falling, this is hardly surprising. For example, corporate profits are falling over 36% in British Columbia; it’s a very serious setback, mainly because of Asia.
However, when you look at investment in Canada and here in Saskatchewan, it’s a much, much more positive story than you might think from looking at that confidence picture.

This is real machinery and equipment spending in Saskatchewan and it is an incredibly strong set of growth rates that you’ve had since 1995. This is related to the development of all of these additional new facilities that diversify this economy and make it more competitive. This is an incredible record, one of the strongest in Canada as far as investment is concerned.

If I take you to non-residential construction, we find an equally strong performance. Don’t worry too much about 2000. You are coming off a very high level of growth, so naturally, as projects are completed, you will see a decline in the level of activity. But at the Conference Board we count 26 hog barns, 13 inland grain terminals, pasta plants, pulp investment, highway reconstruction, and schools and hospitals.

An enormous amount of investment is going into this province, and its all very positive and constructive regarding the future productive capacity of the province. So when you look at Saskatchewan’s ability to attract investment, it looks quite positive at the moment and as we go forward for the next couple of years.

What about the Canadian dollar? I was in Alberta a couple of weeks ago, and Premier Kline referred to our dollar as the "dollarette", a rather interesting way to describe the currency we now have: one and one-half dollarettes per unit of real money, the U.S.

dollar. Well the Conference Board’s view about this is that our currency is way under-valued right now. We got side-swiped by what was going on in Asia, as people panicked and wanted to get
their money out of that part of the planet and into the United States. This, of course, drove the U.S. dollar up and, by extension, ours down.

So as we look forward we see some small recovery in the Canadian dollar; it’s quite modest as you can see in the chart. We still think that the turnaround in commodity prices is going to be biting or showing up in the currency markets only as we get past 1999. So I think you can plan on working with a fairly low Canadian dollar, not quite as low as it is right now, but something that's certainly not down at U.S. 65 cents through to the end of the decade.

Let me conclude by looking at overall GDP growth. Manitoba, now quite a diversified economy, should enjoy growth rates that are quite strong. Here in Saskatchewan the story is a little bit different. We are still calling for quite decent and respectable growth, all things considered, but given the way Asia hit Saskatchewan—second, in severity, only to B.C.—we see only fairly modest growth immediately ahead.
Alberta too is going to see some slowing in its growth rates, but nothing that's going to make a major change in the basic attractiveness of Alberta in the short term because it is running at full employment, and in fact, over full employment at the moment.

Given the events and developments I have sketched out, I would like to turn to something just a little bit different, and that is to ask ourselves what do we have to do to do better as we go forward, and that, of course, is one of the main topics of this conference.

The Conference Board has been working for about three years on a project that we call "Assessing Our Performance and Potential", and in that project we compare our record with six other countries: the United States, Japan, Germany, Australia, Norway and Sweden. So we take three advanced countries and three countries that have a similar industrial mix to what we have; in other words, they're resource dependent, they're relatively small, and they are price takers in the international marketplace.

I am going to talk to four main topics out of all of that research. The first has to do with the philosophy of government. As your Premier indicated, Saskatchewan has in fact shown a different way and that issue is a challenge for us as we go forward, particularly with the United States next door.

What are we going to do about poverty in this country? How are we going to attract investment and people? And then lastly, how do we go about building human capital?

We are benchmarking Canada's performance against these other countries, and it's a terribly difficult job. Any of you who have tried to do that will know that sometime international statistics aren't as easily available as you might think. We look at income per capita, we look at educational achievement, we look at poverty levels, we look at income distributions, infant mortality, longevity and it goes on, and we try to compare how we do relative to these other countries.
Frankly, in my opinion, Canada is the best country on this planet in which to live. This is a hard thing for most Canadians to say; we're much more modest, and tend to think we should never want to say something quite as strong as that. But it is not to say that we can remain at the top of the heap, because I think the challenges facing us are quite formidable. But we have a very strong base on which to work, and I would like to consider four main issues as we look forward.

We are facing big challenges respecting the United States. What do we do? How high an income do we want in this country? This chart shows Canada compared to United States income per capita, using a purchasing-power-parity exchange rate.

You can see that there's broadly three periods in this chart. The initial period, up to around 1978-79, was one in which our performance was improving relative to United States. We went sideways through the 1980's, and then in 1989 the bottom fell out of things and we see ourselves now with an income that is about 78% of the U.S. level.

This is an issue of choice. Do we want to chase that U.S. level of income, and if we do, what do we need to do to get there? Now it's my view personally that most Canadians will say that they want a higher quality of life. And that quality of life is more than just income. I think all of you can accept that. It has to do with education, health, social services, the communities that we live in, their safety and so on. And so as we look forward, I think we're increasingly going to have to ask ourselves how we achieve that higher quality of life, particularly given the dominance of the neighbouring United States.
A lot of our work over the last 15 years, particularly in my own case, has had to do with how governments are performing. I've tried to put together a half-dozen phrases that I think characterise the philosophy of government that seems to be present in Canada. The Premier alluded to a similar issue in the context of the balance between individual and collective activity. My characterisation shows up on this chart.

Deficit financing will stop—there are actually governments in Canada that have legislation against deficit financing. Governments will be more accountable. They will concentrate on their core business. Alternative service delivery mechanisms are going to be found. Wasteful spending will end—I hope some of you remember the Ottawa incident of a few years ago, about those bullets that didn't shoot straight. And, finally, citizens are to be more engaged in their governance. That is what you folks are doing here today and tomorrow: you are being engaged in your governance.

Now I don't know what this philosophy of government will actually accomplish as we go forward, but let me try and explain why we think this is what we're going to be dealing with.

The Conference Board believes that is useful to look at deficits collectively, involving both the federal and provincial governments. We think it is somewhat unproductive at times to be arguing about who's at fault here. You can see that we distinguished ourselves in the early '90's by cranking out deficits of $65 billion a year. Regardless of your political persuasion, this is not sustainable and everybody knows that.

You can see the success that we've had, and you know that Saskatchewan, in particular, has had enormous success in turning its books around. We are now on the verge of surpluses, although there are still two major provinces that are running deficits. As we go forward, you can see that the surpluses are relatively modest compared to the size of deficits. This is because we believe Canadians are going to be pushing their governments for more spending and for tax cuts, with only the residual surplus going to pay down the debt.

**Performance & Potential 1998**

*The 1960s social contract was unsustainable—it took us 15 years to understand this. The social contract of the next century must balance the interests of taxpayers and tax recipients if our collective orientation is to survive.*
Building Saskatchewan’s Future

Many of us are old enough to remember the social contract of the 1960’s, a social contract that proved to be unsustainable as we moved through the ’80’s and ’90’s. It took us 15 years to recognise this. The issue is the balance between the benefits that the tax payers perceive themselves to be getting relative to the benefits received by those who are not paying taxes to the system. Within social programming we talk about health, education and social welfare. The critical issue in this context is the balance between individual and collective responsibility.

It's our view at the Conference Board that we have an enormous advantage in the health-care system in this country; it’s a huge competitive edge for us. It is also vastly better than that we see south of the border, and yet we are constantly being challenged to move more in that direction. Regardless of how this is resolved, I am confident that the issue of deficit financing is behind us.

But it is still necessary to resolve how much government spending we want in our society relative to our total income. And you can see in this chart that in the 1960’s, when we set in place the current social contract, we were spending about 13% of our GDP on social programs. That rose steadily to over 24% in the early ‘90s. In our forecast we expect that to drop down to something in the order of 18%. But ladies and gentlemen, these are choices. You can chart a different course if you choose. The challenge will be to ensure that it is a sustainable course. Certainly, the whole package has to somehow hold together.

One of the most important issues in this context is what are we going to do about poverty. In Canada we measure poverty using low-income cutoffs. In many people's eyes, this is an appropriate measure; however, in our view it is not. There’s about 5.2 million Canadians or 17.5 per cent of us who are living on incomes below the low-income cutoff. To get into that situation you have to spend 56% or more of your gross income on food, clothing and shelter, and there are about a million people moving into and out of that category each year.

A central dilemma for us is determining the sort of income distribution that we believe should be acceptable in our country. When you divide incomes into five quintiles, each containing 20% of the income recipients, we can see the share of the income pie received by each of these quintiles. You’ll notice that those in the bottom quintile—containing the 20% of income recipients receiving the lowest incomes—receive approximately 5 or
6% of the total income in our society. In contrast, those in the top quintile receive approximately 40% of total income. Now this distribution has steepened slightly over the 16 years, and it is the second and the third quintile that has, if you like, lost share.

In the United States, the income distribution has steepened a lot more that in Canada and this slide reflects why that has been the case. We in Canada redistribute more income from high-income people to low-income people than they do in the United States. These choices reflect our values around income distributions. But with about two-thirds of the income of the bottom 20% of our population coming from transfer payments, the sustainability of the “social contract” is at risk as we go forward. And that’s why understanding what we mean when we use the word “poverty” is so important.

The next point has to do with getting and keeping investment. How does Canada attract the foreign investment that we need, and how do we hold onto the people in whom we have made secondary and post-secondary investments? In Canada, 6 or 7% of our gross capital formation is obtained in the form of foreign direct investment, so our investment in plant and equipment relies quite heavily on external capital sources. The issue then, is how do we get our share of the action? This is, and will continue to be, a challenge.
Our chart shows foreign direct investment in Canada, the U.S., and China as percentages of total world direct investment. You’ll notice that the Americans get about a quarter of the total, while the Chinese are receiving about 12%, and Canada about 2½%.

In the case of China, we are having to compete against a market of over a billion people, one that is growing rapidly, and has a huge, emerging middle class with enormous purchasing power. You can imagine that the opportunities in that market are huge. It is very attractive.

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**ISSUE: Getting & Keeping Investment**

FDI flows in North America are our greatest competitive challenge. Why would investment come “here”? And human capital is increasingly mobile both within Canada and outside, especially to U.S. Both are critical to our future.

Look at how much money flows out of the United States. The U.S. provides a quarter and takes a quarter of foreign direct investment.

China, essentially, doesn’t provide any, while we do export capital. The important point is this: the competition of China for investment money is not going to weaken; it is going to accelerate. Our challenge is going to be to attract enough capital to meet our needs in the face of the opportunities provided by China and by the U.S., our biggest competitor for capital.

Now that’s the story in terms of capital. Let me turn for a moment to a consideration of people. I think you’re all aware that Saskatchewan has a net inter-provincial migration rate that is negative: you lose approximately 3,500 people a year.
When I was raised in Alberta we often used to say “Well, everybody in Alberta is from Saskatchewan, and we all know that everybody goes to heaven via Victoria”. So there’s this movement west and its almost inexorable. And you can see what happened in Alberta—hot economy, lots of opportunities, and people move there. Look at B.C.—they actually lost people last year, and that is really unusual for them.

The question is why do people leave, and this is an issue for Canada as much as for Saskatchewan.

The bottom parts of this chart show the permanent emigrants, that's the number of people who leave Canada and settle in the United States each year. The top parts of the bars show temporary visa migrants, and these may involve some double counting (where successive temporary visas are obtained). The chart suggests that there has been a structural change, and that occurred when NAFTA was introduced: it’s now a lot easier for people to get a job in the United States, and guess what? 37% of them don't come back.

So why do people leave Canada? The first thing you find out when you do the research is they go for opportunities, for jobs. The second thing you find is they go for better incomes. Third, for better taxes; and fourth, for the weather. Now there's not a lot we can do about the weather, at least in the short haul. The challenge, therefore, is to take advantage of opportunities to ensure that we get as much investment flowing into our country, and here in Saskatchewan, as possible to ensure there are jobs and good, high paying jobs. Tax levels are also, of course, part of the equation.
I have one more topic that I want to address and that has to do with human capital. As we go forward, the opportunities for us to develop our country are going to depend more on the capacity of people than has ever been the case. In the last century we developed raw materials, we opened the west, we developed agriculture—the productivity is enormous—but there are not enough trees, there are not enough mines, there are not enough farms to employ all of us as we go forward.

And the cliché about the knowledge based economy is more true today than it has ever been in the past—and that is not to suggest, by the way, that knowledge has not been important in the past. This has been and is the central source of our high quality of life, the ability of our people. Let me show you a couple of issues that we think at the Conference Board have to be addressed.

Dropouts. In Canada the average is about 15%. Kids that do not graduate from high school do not have much chance of making an above-average living and they probably don't have much chance of making a decent living at all. That is just a fact of life. It takes us longer to get our youngsters out of secondary and elementary school, as you can see, than most of the countries we think are major competitors, even United States. So our dropout rate needs improvement.
When we look at the kinds of programs that our students take in schools—I’ll only illustrate this for universities—you’ll notice that over half of our degrees are awarded in the humanities. I studied in that area, there's nothing wrong with that per se, but we must keep an eye on the employability skills that our studies give us. The empirical record is persuasive. People who study in the arts and the humanities have lower incomes and fewer employment opportunities in their area of study than those who study in the sciences, in the math's, the computing science, the health-care areas and so on.

So what we at the Conference Board are saying in our education program is that we must look at employability skills carefully, and ensure that when we invest a lot in ourselves there are, at the end of the day, some opportunities there for us. Employability skills need to be kept up to date.

If there is a cliché about education, it is that we must provide for life-long learning. Do you realise that 40% of adults in Canada have level 1 or 2 literacy on a 5-level scale? Level 1 literacy means people cannot read or write. Level 2 literacy means they can do a little bit better but are very hard pressed to do much more than basic arithmetic. The point is that the skill level of over 40% of our adults is at the bottom of that literacy scale and we are going to have to work hard as a society from here on to boost those skill sets.

“Seeking Saskatchewan Advantage”

- Agri-business diversification is critical
- Mining will be strong
- Aging population stresses infrastructure
- Population movement fundamental issue
- Attracting investment a challenge
"Seeking Saskatchewan Advantage" is what I started out with and I'm going to end here. I was interested in the reference to Connie Calder and the themes of many of her songs. I also remember so vividly seeing that Saskatchewan video at Expo '86 in Vancouver. Some of you may have seen it—that young boy returning home to his girl friend in Saskatchewan in a red TR6! I thought that captured the romance and the essence of the dilemma.

Economic development and providing opportunities for people in a lot of different areas is, I think, the challenge that you face as you go forward over the next couple days. I hope that my comments this afternoon will help you in that regard. Thank you for listening.
I'm in a difficult speaking position, following the Premier who knows everything there is to know about politics in Saskatchewan and following Dr. Jim Frank who knows everything there is to know about the Canadian economy. It is not quite clear what's left for me to say but, calling upon my academic background, I will try nonetheless.

It's a pleasure to speak here today, in part because of the bad agricultural news that we've been hearing over the last few weeks. It's a much easier task to speak when things are going well, and much easier to offer suggestions when things are going well. However, it is more challenging and interesting to speak when things are going poorly.

Let me begin, then, to locate Saskatchewan and its economy within western Canada. Some provinces have a much smaller national profile than their demography would suggest, and here I have found that my home province of British Columbia fits this description so well. British Columbia, the third largest province in Canada, fails to have a significant presence on the national political and social stage. Other provinces, however, loom much larger on the national stage than simple demography would suggest, and here Saskatchewan is a primary example.

Saskatchewan has exercised truly national leadership in the design of social programs and, more recently, in the redesign of program delivery. Saskatchewan has also been a leader in financial management; it is worth noting that Saskatchewan balanced its books before Alberta did. Premier Romanow has displayed significant leadership on the national unity front, exercising skills that he may be called upon to exercise once again in the wake of the Quebec election. However, while these positives are essential to keep in mind, some troubling demographic realities must also be kept in mind during our deliberations over the next day and a half.

People who live in western Canada assume that the country tips to the west, that everything slowly runs downhill from the Maritimes through Quebec, through Ontario and into western Canada; that people and money and jobs just naturally roll downhill ending up, as Jim Frank suggested, in Victoria. Yet while its true that the country does tip to the west, and while its true that western Canada's share of the national population has been increasing in recent decades, the far more dramatic shift has been the westward shift within western Canada. Figure 1 shows that Alberta and British Columbia have had quite dramatic population growth over the past 25 years. British Columbia's population has gone up by 129%, Alberta's by 102%, but Manitoba and Saskatchewan have posted only 7% growth over the last 25 years. Saskatchewan's labour force in the 1990s grew by less than 1,000 people, or less than 1%.
Now I mention this only to note the economic implications. The economies in Alberta and British Columbia have been driven by the past and are driven today in a large part by the dynamics of demographic growth. In fact, in recent years British Columbia has posted significant overall economic growth even though per capita income has been falling. The growth has come simply because there are more people in the province even though each may be making a little bit less. As Jim Frank pointed out, however, Saskatchewan has a net loss in inter-provincial and international migration. As a consequence, there is nothing to offset low and declining provincial birth rates.

Now of course, population growth is only one component of the economy. What about the Saskatchewan economy more broadly defined? If we look at Saskatchewan's share of the western Canadian economy, its about 11%, roughly similar to Saskatchewan's share of the regional population. (Figure 2) If we think about the Saskatchewan economy in terms of comparative economic performance, the record over the last decade has been pretty good. On most indicators of economic performance and growth, Saskatchewan has performed at a higher rate than British Columbia and Manitoba, although not quite as well as Alberta. If you look at the comparison between Saskatchewan and Canada, Saskatchewan on most indicators tends to perform better than the national average. Saskatchewan, moreover, compares very favourably in terms of employment rates with the other western Canadian provinces.

But here I'd like to pause just for a moment and consider our use of terms like "the Saskatchewan economy." It is no longer clear that provincial units such as Saskatchewan or, for that matter, national units such as Canada still serve as significant economic containers. Let me give you an illustration of this from a recent front page of the Globe and Mail. The paper that day ran two stories on the front page, one sitting on top of the other. The top story, perched right in the middle of the page, noted that the Royal Bank's profit in 1998 was the biggest in Canadian history; it was up 9%, to $1.82 billion for this fiscal year. This story sat right on top of another story spread across the
bottom of the page that said, "Prairie Grain Farmers Face Devastation, Plummeting Wheat Prices Bring a Harvest of Despair." Now I'm not trying to suggest some cause and effect relationship between those two stories. Rather, the point to stress is that it's no longer clear that there is a national economy because what was happening with the Royal Bank is unrelated to what was happening with the Saskatchewan wheat economy. And this, I think, is part of the general impact of globalization, the political containers in which we live, be they North America, Canada, western Canada or Saskatchewan, count for less and less.

Here I should also note another aspect of this globalization thesis or, perhaps, mythology and that is that in this new global environment governments not only can do less but should do less to intervene in the economy. This is not an academic point for our discussions over the next day and a half, nor is it an academic point when it comes to relief for wheat and pork producers in this province and elsewhere. However, the point here is that in the case of Saskatchewan it makes more sense to talk about economic conditions in Saskatchewan than it does to talk about the Saskatchewan economy. Saskatchewan used to have an integrated economy in the days of "King Wheat" when wheat prices ensured the whole economy moved in sync. Now, as the front page of the Globe and Mail suggests, it's not clear that anything is moving in sync. We've changed from the days when King Wheat was the dog wagging a variety of economic tails, to an economy still with lots of tails but perhaps no dog.

With this caveat in mind, what can be said about the prospects for economic conditions in Saskatchewan? Here I begin by noting the economic success western Canada has enjoyed over the past decade. The '90s has been a good decade for the west in terms of the movement of people and economic opportunities into the region, and Saskatchewan has generally moved in lock step with this western Canadian development. Saskatchewan's per capita GDP has been very close to the national average. There has been a downside to this, incidentally, and that is that equalization payments from the federal government have dropped. Manitoba now gets about three times what Saskatchewan gets, and Quebec gets about nine times what Saskatchewan gets. That's the downside of prosperity but the prosperity has been real.

It is also important to stress, of course, the export dependency that characterizes economic activity in Saskatchewan and therefore the constant risk of a boom and bust economy. Figure 3 gives a one year snapshot, taken in 1996, showing the export dependency of different provinces. Saskatchewan is behind only Ontario in terms of its reliance on international exports. (Ontario is above the national average because of the huge automotive trade between Canada and the United States.) The export trade in Saskatchewan's case has been primarily commodity trade. Figure 4 shows that in this respect Saskatchewan fits in with the general portrait of western Canada with a...
heavy reliance on international exports and a heavy reliance on commodities. Nevertheless, Saskatchewan relies on commodity exports more than any other province in Canada and more than any other province in the west. This reliance is important to keep in mind because with regards to commodities trade, Saskatchewan is not really in competition with the other western Canadian provinces. The competition is external, global competition, not internal Canadian competition.

All the western Canadian provinces are harnessed in one way or another to global markets, although Saskatchewan's commodity exports are more diversified than the exports of its prairie neighbours. In Alberta's case, 81% of its exports go into the U.S. markets; in Manitoba's case 76% go into the U.S. market. In Saskatchewan's case, however, only 56% go into the U.S. market. Now there's a lot of good news in those figures. They show that Saskatchewan producers have penetrated the international marketplace to a very significant extent. Diversified external markets, moreover, should provide some protection from a boom and bust economy. Of course, that's what has been so frustrating about the past year when commodity prices across the board hit the fan. You may have noticed this morning that crude oil prices were their lowest in 14 years; it's been an odd situation in which diversification does not provide much of a shelter.

Traditionally the grain economy has defined Saskatchewan's place within Canada, and Figure 5 shows that this tradition continues. Saskatchewan still dominates the wheat economy in Canada, but Saskatchewan is no longer defined exclusively by agriculture and agriculture is no longer defined exclusively by wheat. There has been very significant diversification within the agricultural sector: canola, barley, oats, and livestock are only some examples. There has also been very significant diversification within the resource sector, more broadly defined. Oil rivals wheat as an international
export, potash is a huge player in the Saskatchewan economy along with uranium and other minerals. The province has a strong and diversified resource base.

But what about diversification beyond the resource base? If you look at the history of western Canada, economic diversification has been the holy grail of provincial governments throughout the region's history. And indeed, the regional landscape is littered with the debris of diversification projects that have gone bad; projects broken up on the shoals of geography. Still, Saskatchewan has done reasonably well in recent years. There has been substantial growth in the manufacturing sector and some quite remarkable growth in particular fields such as optical fibers, fine paper, and food processing.

So what does all this say about economic prospects for the years ahead? I want to make a couple of big points and then I'll turn to advice from a former Canada prime minister. In the years ahead, Saskatchewan will continue to be squeezed between the realities and the mythologies of globalization. The reality is that of a very competitive marketplace. The mythology is that there's little role for governments in that free market, and this mythology is adhered to with considerable conviction, even enthusiasm by the federal government. Unfortunately, it's not adhered to be Canada's major trading partners. Take, for example, price supports for wheat. Producers in Canada get government subsidies of $15 a tonne, U.S. producers get about $72 a tonne, and European Union producers get about $116 per tonne. This is the reality of "free trade" in the global marketplace. It's a tough game for a provincial economy to play.

What about attracting footloose industries to Saskatchewan? Footloose industries are those mythological industries that can in theory locate anywhere, the software designer who could work on the south coast of France or Moosejaw or the Queen Charlotte Islands. What are the chances, then, of attracting those industries here rather than having them locate in Vancouver, San Diego or Spain? The answer may have very little to do with Saskatchewan per se because these types of industries do not locate in provinces. They don't locate in Saskatchewan or Alberta; they locate in Saskatoon or Calgary. They locate in cities and therefore it's the cities, Regina and Saskatoon, that will either attract or repel footloose investment. This means that the security and amenities of the cities must be nurtured as a form of economic development because urban environments will serve as the magnets to attract or repel footloose investment.

It's here, incidentally, that we see economic competition within the west. The competition among regional cities can be very acute. We also see competition among cities or between cities within single provinces, and this is a difficult issue for provincial governments to handle. I'll just mention parenthetically that I think Saskatoon is pretty well positioned in this respect. The Premier mentioned that he is a bit of a Saskatoon booster. I know many colleagues and friends who have lived in Saskatoon or who still live in Saskatoon, and I've never encountered people who are prouder of the city in which they live and are harder to detach. I thought Calgarians were real local boosters but they're small fry compared to the people of Saskatoon.

To return to the provincial picture, Saskatchewan's public finances are in pretty good shape and this will provide the government with the ability to maneuver in the years ahead. Debit servicing charges still eat up about 14% of the provincial budget but that is not a particularly onerous load to
bear. So the provincial government has the capacity to act and the Premier has indicated the will to act; what you have been asked to do is to suggest the direction that action might take.

Now of course, the constraints that Saskatchewan faced in the past will not melt away in the near future, if at all. Saskatchewan will not move further south or west or east; it will remain in the center of the North American continent, and the northern center at that. The population will remain small and rural de-population will continue. There is little international immigration into Saskatchewan; for every one international immigrant who settles in Saskatchewan, 27 settle in British Columbia. And Saskatchewan will continue to have a stressed rural infrastructure, both social and economic. Nonetheless, and not forgetting the current crises facing wheat and hog producers, the economic prospects look pretty good.

The situation for western Canada looks promising and Saskatchewan's situation within the west is certainly competitive. But what direction should the province and its government take? Here I'd like to turn for advice to the well known economic expert, Brian Mulroney, who said a few years back that "you should dance with the one what brung you." What does this mean for Saskatchewan? Well, I think it means to protect, diversify and develop the resource base, that the roots of current prosperity will also be the roots of future prosperity. It means to protect the rural infrastructure and to look for ways to serve that infrastructure through new electronic technologies. It means to nurture the social and cultural environments of Saskatchewan cities, and it means to look for all possible ways to enhance the economic prosperity of First Nations. In short, protect the wellsprings of economic prosperity in the past for they may be the most important wellsprings of economic prosperity in the future.

Saskatchewan twenty years from now will not look a whole lot different than it does today. It will not be an urban metropolis, and it will not be an industrial heartland. It will be a small, resource rich province locked in the center of the continent, one offering a high quality of life to a stable but prosperous population. This doesn't sound too bad. If history teaches us anything about the Saskatchewan economy, it is that there will be bad times but there will also be very good times. So hang on for the ride!

Thank you very much.
Building Saskatchewan's Future

Speaking Notes
For
Honourable Janice MacKinnon
Minister
Economic and Co-operative Development

Building a New Saskatchewan

Thank you for that kind introduction, and for your warm welcome.
I want to congratulate each of you for your dedication to the future of our great province,
dedication that is apparent from your interest in this conference, and your determination to make it such a resounding success.

Tonight, I want to share with you my vision for the Saskatchewan economy in the new millennium.
It is a vision of a strong, growing economy, full of new jobs and opportunities for Saskatchewan families. It is a vision of a knowledge-based, innovative economy that will deliver on the decades-long dream of Saskatchewan people for true economic diversification.

Can it be done?

Well, I am convinced that this new economy is well within our grasp, if we continue to build the Saskatchewan way - a positive partnership of businesses, co-operatives, communities and governments. For those who are sceptical that Saskatchewan can successfully build this new, knowledge-based, innovative economy, I ask them only to consider how far we've come in this decade, by working together.

The 1990's: A Remarkable Turn Around

When the sun set on the 1980s, Saskatchewan was a province in crisis:
The provincial government was teetering on bankruptcy. Our total provincial debt was 70% of our Gross Domestic Product, one of the highest debt loads in Canada.

Young people were leaving the province in record numbers, building their futures elsewhere, denying us their energy and innovation.

Consumer and business confidence was at an all-time low. People had a genuine sense of despair about Saskatchewan's ability to dig itself out of this huge hole.

However, hitting rock-bottom seemed to bring Saskatchewan people together. That renewed sense of co-operation and partnership became a powerful tool.

When we came to office in 1991, we worked with businesses, co-operatives, communities and other governments, to develop a common vision and a sense of shared purpose. It wasn't easy, but look at what we've been able to accomplish, together. As the sun is about to rise on a new decade,
in a new century, and a new millennium, Saskatchewan people have so very much of which to be proud:

Five straight balanced budgets have helped to reduce our provincial debt load from 70%, to 45% of our Gross Domestic Product. Saskatchewan's credit rating has increased across the board;

More and more young people are finding the jobs and opportunities they need to build their futures right here at home - there are more people working at full-time jobs in Saskatchewan today, than at any other time in our province's history;

Consumer and business confidence has been restored, with sustainable tax cuts, and strategic investments in vital public services, all delivered within the framework of continued balanced budgets.

What a remarkable turn around it has been for Saskatchewan in the 1990s. Our province has led the nation in economic growth over the last five years.

A Changing Economy

Even more encouraging than the growth itself has been the kind of growth. We have 34% more people working in manufacturing and processing today, than we had five years ago. Our food processing industry has grown by 64% in that time. Oil production has jumped 75%. The agbiotech sector has seen sales more than double in the last three years alone. Our economy is stronger, more diversified and more resilient than ever before.

The Saskatchewan of today is still wheat fields, but it's also neutraceuticals. It's still mining, but it's also space-satellite systems. It's still commodities, but it's also robotics. Quietly, almost without notice, Saskatchewan people are transforming our economy.

We are well on our way to building a new Saskatchewan.

The Co-operative Partnership - A Balanced Approach

I believe that we will continue to succeed if our province takes the same balanced, co-operative approach to building this new economy, as it used to manage our fiscal crisis in the early 90s. This approach understands that the role of government goes beyond 'just getting out of the way' or 'counting the dollars'. But at the same time, it understands that government can not be all things to all people. That leads to the dangerous road of mounting debt or mounting tax loads.

Role of Government - Building a Competitive Environment

I want to focus on two key contributions of government to this balanced, co-operative partnership. The first is ensuring that our economy is a competitive place to do business. A recent study by KPMG analysed the costs of doing business in Saskatchewan, compared to competing centres in Canada and the United States. The study found the cost of doing business is 12% lower in Saskatchewan than in the U.S. The cost of starting a business in Saskatchewan is 18% less than in Winnipeg; 29% less than in Calgary; 53% less than in Vancouver.
There are a number of factors, which help determine an economy's competitiveness. One major factor is taxation. We've made a commitment to affordable tax reduction, and we've acted on that commitment. We've used targeted tax reductions in important sectors of our economy, such as manufacturing and processing. And in these industries, Saskatchewan is one of the least expensive jurisdictions in North America in which to do business.

We've revised our royalty system for both potash and oil. And we have seen strong expansion in both of these sectors as a result. We are also committed to more broadly based tax reduction. In 1995 and 1996, we made modest income-tax cuts. In 1997, we cut our provincial sales tax from 9 to 7 per cent. This year, we introduced further personal income tax cuts.

As a result, we have seen growth in consumer and business confidence, and more jobs for Saskatchewan people.

Role of Government - Investing in Innovation

The second important role of government in Saskatchewan's co-operative partnership is to invest strategically in the power of innovation, for it is innovation that will drive our long-term future. I emphasise 'strategically' because, as I said earlier, government can not be all things to all people. Our investments must be in areas that show the most promise for future opportunities. Areas like education and training. We need to continually improve, to continually modify and invest in education and training. The skills need to match the jobs if we're going to grow.

One of the first things that growth-oriented companies look at is the availability of skilled people. Recently, when Hitachi announced a major expansion of its Saskatoon-based turbine manufacturing plant, its general manager said a big part of their success has been the work ethic of its staff. He said, and I quote, "That's a major advantage of doing business in Saskatchewan." Hard work, dedication, and loyalty are essential attributes of the Saskatchewan workforce. But people also need new skills.

We are making a major investment in ensuring that our work force is properly trained. Revitalising our Universities. Doubling the number of provincially funded apprenticeship positions. Expanding the capacity of our technical institutes. Upgrading their curriculum. Working with employers to deliver innovative workplace-training programs.

Earlier this year, Babcock and Wilcox expanded its Melville plant, and relocated a portion of its manufacturing activity from Paris, Texas to Saskatchewan. The company's president cited our province's competitive environment. He was particularly excited about our work-based training programs-JobStart and Future Skills. That's the kind of partnership in training that we are very proud of.

An innovative, growing economy also requires investment in traditional infrastructure. In Canada, and in particular Saskatchewan, our transportation linkages are vital. We've made a commitment to invest $2.5 billion in our highways over the next ten years. And we've asked the federal
government to make its commitment through a national transportation strategy. Canada is the only federal state in the western world in which there is no national highways program.

Another critical element for the future is what I call our 'innovation infrastructure'. That is, the infrastructure that will help our companies and people create new products and services for the global marketplace. Some important examples:

One-third of Canada's agbiotech industry is now located in Saskatchewan, thanks in large measure to long-term investments in research and development.

We have attracted major global players to invest and locate in Saskatchewan.

Saskatchewan people created the world's first genetically engineered crop. The world's first genetically engineered animal vaccines.

We are using the tools and products of innovation to help feed a hungry world, while creating new jobs and opportunities for our young people.

Just how far we've come is demonstrated in the selection of the University of Saskatchewan as the site of Canada's only synchrotron. An international peer-review panel of experts made this selection. A synchrotron is a sophisticated x-ray light source that can examine sub-atomic structures. This research tool could be used to help speed up the development of frost resistant crops, or to help researchers find new cancer-fighting drugs. Its potential benefits to the biotech sector - and the entire economy - are enormous. We never would have been selected as the site for this $170 million project, if it were not for our investments in research, development and innovation.

Another example of investing in innovation infrastructure is the Petroleum Technology Research Centre in Regina. We have massive reserves of oil, from light crude to heavy oil. But much of our oil is unrecoverable, and many of our wells are marginal. Researchers at the Centre will find new ways to tap those reserves, to increase recovery from marginal wells and to extend the life of existing pools. The application of new technologies to the heavy oil fields of Lloydminster and Kindersley, for example, could mean tens of millions of barrels from those fields. It could mean hundreds of millions more dollars in product. It could mean thousands of additional jobs.

Finally, there are the limitless opportunities before us in the new Saskatchewan economy, which spring from our investments in information technology. Electronic commerce and communication are changing the way we all interact in the global marketplace. It's essential for us to have affordable, universal access to the Information Highway, so that we can successfully participate in the global economy of the future. So that we can create new and better jobs for Saskatchewan people.

We have to work together to ensure that people in our province are computer literate, and have the necessary skills to access all the opportunities the New Saskatchewan will afford. Together, we'll ensure that rural Saskatchewan is as well connected to the Information Highway as our largest cities. For information technology has been, and will continue to be, perhaps the greatest equaliser of opportunity for rural residents and rural businesses. And together, we'll use information technology to make it easier - so much easier - for our businesses and our co-ops to have basic
access to our government services, no matter where those businesses and co-ops are located. We're already a world leader in telecommunications. In addition, Saskatchewan companies have supplied products and expertise to the Canadarm, to the Eurotunnel and the European Space Agency.

We need to build on those successes.

**Growth for Everyone's Benefit**

I want to conclude our discussion of the future by talking about the need to look beyond economic growth as our ultimate goal.

Why do we seek growth? Not for its own sake, but for what it can do to benefit the quality of the lives of all our citizens. We must work together to find ways to bring all our citizens into the mainstream of economic opportunity. To reach this goal, we are working in partnership with communities and enterprises across the province. We've taken the idea of partnership and put it into practical action - through our network of Regional Economic Development Authorities. Working with them, we've developed exciting new programs-like the REDA Youth Initiative, which allows REDAs to expand services to their communities by hiring young people. Equally important, young people gain career-building experience in their own communities-experience that helps them land jobs and make their futures in Saskatchewan.

Another group that already has a long tradition of community development is the co-operative sector. We have more than 1,400 co-ops and credit unions across the province. They are engines of economic growth and job creation in our province. Twenty of the top 100 companies in Saskatchewan are co-operatives. Controlling $9 billion of assets, Saskatchewan's 1,500 co-operatives are key partners in our economic diversification. For example, our fastest growing new sector of the economy is food processing, and our major partner in expanding that sector is the Saskatchewan Wheat Pool. The Pool, in partnership with government and others, is creating new jobs and opportunities in our rural communities by processing more and more of our agricultural products locally.

But co-ops are more than just engines of economic growth and job creation-co-ops are about people. They are committed to social justice, they are partners in improving the quality of life in Saskatchewan. We all want our economy to grow, but co-operators also want everyone in every community to have the chance to benefit from that growth.

One of our biggest challenges is increasing the participation of aboriginal people in our economy. That's why we should be so proud of Federated Co-ops for signing an agreement with our government to target new openings, and to work with us to equip aboriginal people to qualify for those jobs. And there are other examples-Kitsaki Development Corporation, operated by the Lac La Ronge First Nations, with annual sales of $33 million in finance, food processing and transportation sectors, and the Saskatchewan Indian Gaming Authority, which was honoured this year with an ABEX Award for job creation.

As well, we're working on new partnerships to help achieve our vision of a full-participation society. Consider the Quint Development Corporation in Saskatoon, the first of our Neighbourhood
Development Organisations, or NDOs. Quint-and other NDOs to follow-brings together all of the agencies in the inner city around a common goal: to improve the opportunities and quality of life for inner city people, helping them to realise their dreams, like owning their own homes.

All of our efforts have one ultimate goal. That is creating strong, healthy communities and providing opportunities for everyone.

Conclusion

We have come a long way, together. As we look to a new decade in a new century, and a new millennium, I believe we have many more successes to fashion, together. Together, we are building a new Saskatchewan. A Saskatchewan whose economy is dynamic and diversified. A Saskatchewan which is confident, innovative and outward-looking. A Saskatchewan which has the best quality of life of any place in the world. A Saskatchewan we can be proud to pass on to our children.

Thank you.
I am pleased to be here today to talk about the mood of Canadians, as well as residents of Saskatchewan, about the economy and the important fiscal and spending issues facing governments across Canada today.

In my comments today, I will be drawing mainly upon a large public opinion survey conducted by Environics in October 1998. Based on a national sample of 2,001 adult Canadians (with "oversamples" in the western provinces), the survey examined economic confidence, public support for spending across a wide range of program/policy areas, the perceived importance of government fiscal prudence (government debt and deficit reduction), tax cuts, and the public's priorities among these.

The survey is conducted as part of Environics' FOCUS CANADA series of surveys, which draws on a database of national public opinion surveys going back in some cases to 1976. I will draw upon selected findings of the survey, looking at both Canadian opinion overall as well as Saskatchewan opinion.

Remember, we are analyzing public perceptions, which may or may not correspond to the reality of the economy or the fiscal situation.

I would like to begin with some points summarizing public concerns, and then discuss the data in greater detail.

**The Concerns of Canadians - Overview**

- Unemployment tops the list, but concerns about jobs have dropped significantly over the past year.

- There has been a precipitous decline in economic confidence in recent months - nationally and provincially.

- The Saskatchewan economic outlook has declined, but remains more positive than most other provinces.
Economic Confidence - The Canadian Economy

On a number of measures, optimism about the strength of the Canadian economy has dropped sharply in the last quarter, following a longer period of generally rising optimism throughout 1996 and 1997.

- The number of Canadians who say the Canadian economy is getting weaker has jumped 14 points since July, to 52 percent.

- The number of Canadians who say they are worried about the Canadian economy has also increased since July, to 61 percent, after several years of declining pessimism and increasing optimism.

- However, the number "worried" about the Canadian economy is lower in Saskatchewan - 55 percent - than in all other provinces. Atlantic Canada and British Columbia have the highest level of worry in this regard.

- In spite of the recent drop in assessments of the Canadian economy, levels of pessimism today are nowhere near those experienced during the recession of the early 1990s, when around 80 percent of Canadians were worried and the vast majority said the economy was weakening.

Economic Confidence - The Provincial Economy

Mirroring the recent drop in confidence for the Canadian economy as a whole, there has also been a decline in confidence in provincial economies, in most provinces, since January of 1998.

- The number of Canadians who say their province's economy is getting weaker has jumped nine points since January 1998, to 46 percent. Only 21 percent of Canadians say their province's economy is getting stronger.
In Saskatchewan, levels of optimism were higher than in most provinces during the period between 1995 and 1998. Optimism has now dropped to equal the national average, with 20 percent believing the province's economy is getting stronger, 40 percent saying it is weakening, and 37 percent seeing no change (see attached graphic).

Albertans and Ontarians have more positive assessments of their provincial economy than Saskatchewan residents; other provinces have more negative assessments about their province's economy. British Columbians have universally negative assessments about their province's economic strength.

**Observations about Economic Confidence**

Are the economic dislocations of the summer a foreshadowing of a more serious economic downturn? Most economists don't think a recession is in sight, but, at the same time, slower growth is expected by most. In Saskatchewan, the outlook is further clouded by the current decline in agricultural prices.

Canadian and Saskatchewan opinion is remarkably sensitive to changes in the economy, but the recent dramatic changes in perception of the economy have not been reflected yet in changes at the individual level. For example, consumer confidence hasn't changed by much, most say the dollar and the stock market changes haven't affected them - the changes are "out there" - the feeling is nowhere near what it was in the dark days of 1990, 1991 and 1992.

**Fiscal and Spending Priorities - Overview**

Let's turn to the fiscal and spending priorities of Canadians.

Here are some summary points about Canadian and Saskatchewan public opinion.

- Health care, children, and education are the most important program priorities for spending;

- There is declining support for spending cuts in most areas;

- Maintaining a balanced budget (no deficit) is more important than debt reduction for the federal government;

- For Saskatchewan residents, fiscal prudence is more important than in most other provinces;

- Saskatchewan residents are divided about federal and provincial fiscal priorities.

**Federal Spending Priorities**

As the federal fiscal situation has improved over the past two years, the public's purse strings have loosened somewhat.
• Over two-thirds of Canadians want the federal government to spend more on health care, education, and reducing child poverty.

• Public support for more spending in most areas has increased since the mid-1990's fiscal crunch, and concerns about health care and support for more spending in this area top the list.

• In Saskatchewan, there is slightly less public support than average for greater federal spending across most areas, although the differences are not large. Quebecers and residents of the Atlantic provinces show greater than average support for more spending in most program/policy areas.

• Greater numbers of Canadians today than in recent years want the federal government to increase spending on social programs. However, maintaining current levels of spending on social programs, rather than increasing spending, is the option supported by a majority of Saskatchewan residents.

The Federal Debt, Deficit, and the Fiscal Surplus

During the early 1990s, we saw increasing public support for federal deficit reduction. As the federal deficit finally started to drop, the importance of this priority began to decline, beginning around 1996. With the federal government now having eliminated the deficit, we find Canadians less concerned today about eliminating the public debt, than they were about eliminating the deficit in previous years.

• 52 percent of Canadians think it is very important for the federal government to eliminate the federal debt, but a larger number, 61 percent, think it is very important to maintain a balanced budget, no-deficit situation (see attached graphic).
• 74 percent of Saskatchewan residents think it is important for the federal government to maintain a balanced budget, which is the highest number of any province.

• There is no consensus among Canadians about what the federal government should do with its fiscal surplus. When asked to choose among three priorities, the public is divided between more program spending, debt reduction, lowering taxes, and some combination of these.

• This lack of consensus about the federal fiscal surplus is also found in Saskatchewan, where one-third of citizens think the surplus should be devoted to program spending, 27 percent choose federal debt reduction, and one-fifth each want lower taxes or some combination of these (see attached graphic).

**Provincial Fiscal Choices**

Half of provincial governments in Canada today, including Saskatchewan, have eliminated their budget deficits. The most notable exceptions are Ontario and Quebec. When asked about the three main choices facing provincial governments, Canadians are somewhat more likely to support more program spending as a priority, than when asked about federal priorities. Still, there is no clear consensus about where the emphasis should be.

• Overall, 45 percent of Canadians want their provincial government to maintain program spending; one-quarter want the emphasis to be on reducing the provincial debt (or deficit reduction, in those provinces where one still exists); and one-quarter want to keep tax levels down.
• In Saskatchewan, when asked to choose, 39 percent want the government to maintain program spending; 32 percent want to keep taxes down; and 24 percent want to keep the provincial debt in line (see attached graphic).

• When asked whether their provincial government has struck the "right balance" or the "wrong balance" in the fiscal choices it has made, only two provinces - Saskatchewan and Alberta - receive higher approval than disapproval from their citizens. Large majorities of British Columbians and Quebecers say their province has struck the wrong balance among their fiscal choices (see attached graphic).
Social Union

The social union initiative, in which the Saskatchewan government played a major role, will be an important topic over the next year. Generally, Canadians are not engaged in federal-provincial issues or jurisdictional disputes; they are interested in outcomes like a strong health care system and a good education system. When it comes to jurisdictional issues, they unfailingly want governments to co-operate with each other and deliver the programs. Nevertheless, it is important to probe perceptions of these topics and, in our October 1998 survey, we asked a number of questions about federal-provincial relations and the federal spending power.

On one question we asked, "As you know, the federal government provides some funding for health and education, which are areas of provincial responsibility. Some people think the federal government should transfer all these federal dollars to the provincial governments for them to spend on health care and education. Other people think the federal government should spend some of this health and education money directly on individuals and institutions, through federal programs like scholarships and direct grants to institutions. Which view is closer to your own?" (see attached graph).

Canadians, overall, are divided on this, with about half (48%) wanting direct transfers and a slightly smaller number (43%) supporting direct federal spending in some areas. It is important to note here that Saskatchewan has the highest percentage supporting transfers to the province over direct federal spending. Saskatchewan opinion is much closer to Quebec and Alberta than to Ontario and British Columbia. I think this is telling us again that citizens here have been fairly satisfied with the choices this provincial government has made.
Observations About Fiscal Choices

The early 1990s was a period of fiscal and economic dislocation. Governments of all political stripes - New Democrat, Conservative, Liberal, Parti Quebecois - had to tell their citizens that they could no longer spend, create new programs, or even maintain the programs that were in place. It was a difficult process with difficult choices. Today, much of this restructuring is over. So where are Canadians in terms of their thinking? I don't think the public wants, or expects, to return to the "good old days" of big spending. The fiscal crisis has left the its mark on public thinking, and a return to deficit spending is not acceptable. That being said, the purse strings of public opinion have loosed somewhat since the mid-1990s, and support for more health care spending in particular is widespread. Still, the lack of consensus on many of the main choices facing governments in Canada today is striking. I don't see this as a problem, but as an opportunity to engage the public in a discussion about these choices, to think about new directions, and, yes, to think about what are good public policy choices.

Thank you very much.
Thank you Roger. You heard the dangerous word there. I have a degree in mathematics and this morning I'm going to inundate you with numbers. In fact, I have got a lot of numbers and I'm going to inundate you rather quickly, so please bear with me.

What I have done is to taken the population data for Saskatchewan and broken it down to identify what I believe are the five most important demographic trends in the province at this time. In order — and others would probably disagree with the order I have chosen — these are as follows:

1. Stagnant population growth;
2. a population that is growing collectively older;
3. rural depopulation as people move from rural Saskatchewan into urban Saskatchewan;
4. a growing Aboriginal population; and finally,
5. a change in traditional family structures, or how we live together in the province.

Most of the data that I'm going to use here are from the Statistics Canada Census. I did develop a population forecast specifically for this conference that looks at the age structure and the Aboriginal population over the next 20 - 25 years. I understand you have had some information about the aging population and the stagnant population in previous presentations, so I'll probably just highlight that and go through it rather quickly.

Now I have identified the stagnant population as the first, the most important, trend. The graph that you can see on the screen is just the population of the province for the last 20 years or so, and its broken down into three periods.

In the first period, we had a population that, until 1987, was growing at 0.9% per year. That was followed by decline at a rate of 0.8% per year—about the same rate that it had been increasing. The decline continued until 1990, when our population bottomed out, and we're now in a sort of a stagnant growth pattern of 0.3% per year. I call that stagnant because
it’s a relatively low rate of increase. The Canadian population, for example, is growing at 1.2% per year, or four times our rate provincial population growth.

When demographers look at population trends and try and forecast them, they traditionally look at fertility rates and mortality, the number of births and the number of deaths. In Saskatchewan that doesn’t work. You have to look at migration patterns, because that’s what makes our population go up and down.

As you can see from the slide, the number of people coming into the Province has been relatively stable at about 20,000 per year, so that is not the source of variability. What fluctuates is the number who leave, and that has been as bad as 35,000 in 1990. It has diminished somewhat now, and to such an extent that the net flow is effectively zero. So our population is now driven by the number of births less the number of deaths, which is about 5,000 per year.

What is important about that migration pattern is not so much the fact of migration, but rather the age structure and other characteristics of those leaving. These characteristics affect both the demographic structure of the Province and the economy.
This slide shows the age of those leaving, with age increasing from left to right, and the lower the bar goes, the more people who left. What it shows is that, between 1991 and 1996, about 5,000 people in the 20 – 24 age group left the Province. In absolute terms, that was the largest number leaving.

This is important because these are people in the family formation age group. They're important to an economy because they tend to get married, build houses, spend lots of money, generate a lot of economic growth, and because they have babies to carry on and sustain the population. So, with the inter-provincial flow being concentrated in that age group, we have lost an opportunity in the province.

We don't actually know an awful lot about inter-provincial migrants other than the fact that they're in this age group and they tend to go to Alberta. The last time we looked, I think 51% of out-migrants were moving to Alberta, which is one of the reasons why we're always worried about living beside Alberta; there's a large sucking sound coming from Alberta. The reasons for the migration aren't known. The speculation is that it is largely education and employment driven; people go there either to go to school or to find a job.
Now I have taken that migration pattern and a standard fertility and mortality rate and age cohort survival model and forecast what that will mean for the next 20 years for our population. I consider three different scenarios and all three are shown on the graph. For the most optimistic case, I have assumed, in effect, that the border is closed: there is zero migration. This yields a growth rate of one-half of one percent over the next twenty-five years. So even with what is a fairly optimistic scenario, our growth rate is still only about half the national average.

If we base the forecast on the pattern that's developed over the last five years, looking at who migrates and their age pattern, you end up with the stagnant pattern represented by the middle line on the chart. This forecast yields growth rates of 0.2 or 0.3% per year. Should the situation be as bad as it was over the last 10 years on average, then we're into a declining population again in another 15 years or so, one below a million. I don't think that one's at all likely, but that's the worst case scenario.
We will return to the migration issue briefly when we talk about the aging population, which is what I would like to turn to now. This chart identifies the second most important trend, the aging of our population. The bars compare Saskatchewan to the rest of Canada, and show the percentage of population that is 65 years of age and older. As you can see, with 14.7% of the population 65 and older we “lead” the country. We also have the highest proportion in Canada of the population that’s 75 and older and that age group is of particular concern to the health system. The gap between Saskatchewan and the rest of Canada is actually narrowing: we used to be a lot older than the rest of the country; now we’re just a little older.

Now if we incorporate these data in the model of population growth — and I am using the middle model from the previous slide, assuming that the five-year migration pattern carries on — we can portray how the size of the several age groups will vary over time. The lines on this chart represent the age groups of the people and their actual numbers over the next 20 to 25 years.

The line at the top is the 20 - 44 year olds. It continues to decline for a couple of reasons. One is the loss through migration of the people who would otherwise
have moved into that group. The second reason is the natural aging of the baby boomers, as they move out of this group into the 45 – 64 group. So that latter group starts to increase, and we are going to see a lot more of them in the next 10 years. So there is a fairly obvious progression there.

The number of seniors looks like it is going to be relatively stable for ten years or so, and then start to climb. And because we lost so many people in the family-formation age group, the number of children under five remains fairly constant over the forecast period. What these forecasts suggest is that our dependency ratio—the number of dependents per 100 persons of working age—will decline from 0.58 in 1998 to 0.52 in 2008; thereafter, it will rise to 0.62 in 2023.

The next chart is still concerned with the aging of our population, but in this case we examine the relationship between average age and place of residence. What I have done on this chart is group the residents of the province on the basis of place of residence, and show how average age varies by place of residence and over time. The higher the line, the higher the average age.

As you can see, the residents of our towns and villages have consistently the highest average age, while the Registered Indians, during the period covered, have had the lowest average age. While the trend for all categories is upward, i.e., to higher average ages, the increases have been particularly strong in the case of the rural municipalities.

Indeed, the average age in the RM’s has accelerated relative to all the other categories, and the gap between the towns and villages and the rural municipalities has narrowed sharply since 1993. For this group — that is, the people who actually live on the farms — the average age has actually increased by three years in the course of the last five years. Between 1993 and 1998, there was actually a decrease in the average age in the towns and municipalities, and the good news is that this is due not to seniors leaving, but to a growth in the numbers of younger people residing in the towns and villages.
This leads naturally to the third theme on which I want to comment, namely, rural depopulation. In this next chart, and putting aside for the moment the two bars on the extreme right, as you move from left to right you are moving from urban to rural settings. You are also moving from positive rates of population change to increasing rates of population loss; that is, the more rural the setting, the more rapid the rate of population decline.

The two bars on the right are notable exceptions. Both the populations living in the North and on Indian Reserves increased between 1991 and 1996, the former by ten percent and the latter by almost 25 percent. There is one caveat respecting the numbers on Reserves; Statistics Canada did a much better job counting the on-Reserve population in 1996 than in 1991, so some of the increase may be attributable to that rather than to actual growth.
Over the same five-year period, there was also variation between cities. As the chart demonstrates for the eleven largest communities, population declined in three cities — Moose Jaw, Yorkton and North Battleford — and grew strongly in Lloydminster, Estevan, and Saskatoon.

It is of some interest that the average ages for Moose Jaw and Yorkton, where population dropped, are among the highest of the cities in the Province. Among the twenty-seven largest towns and cities, only ten show a population increase.

As you continue down the population-size scale, and move to the RM.’s, what we have done is to take the people living in the towns and villages, and on the Indian Reserves, and aggregate them with the population of the relevant R.M. The result is the map shown in the next chart, in which:

- the solid-shaded areas represent RM.’s in which total population has grown by one percent or more;
- the cross-hatched areas R.M.’s where the total population change is in the range from minus 1.0 to plus 1.0 percent; and
- the diagonally-shaded areas R.M.’s where total population has declined by more than one percent.
It is evident from the chart that most of the Province is in this latter category, that is, having experienced population declines in excess of one percent between 1991 and 1996. There are, of course, some notable exceptions with growth in the south-west corner near Maple Creek; and the Kindersley area is doing well. The other solid-shaded areas, portraying growth in excess of one percent, either include cities or have a large concentration of Indian Reserves on them. Other than that, most of the southern part of the Province has a declining rural population. Although it is not evident on the chart, the North is solidly shaded from Prince Albert up.
This next chart examines one of the underlying causes of rural depopulation, namely, the diminishing number of farms in the Province.

To bring out the longer-run trend in the data, I have gone back to 1961. Any operation with more than $2,500 of sales has been counted as a farm in this graph, so we are including some of the small hobby farms and market gardens. The downward trend is quite evident, but there are some grounds for encouragement in its shape. This is what mathematicians call an exponential curve, and it appears that it is going to flatten out, possibly between 50,000 and 55,000 farms. If this is correct, then both the number and average size of farms should stabilize, which will be a welcome development.

The last trend I am going to examine concerns our growing Aboriginal population, and here I have to digress to comment on some of the technicalities of the underlying statistics. Unfortunately, the definition of an Aboriginal person is fraught with difficulty. In the present context, I am using the term in the broadest possible sense, including both the Indian and Metis populations, the Inuit population, and other categories of Aboriginal population identified in the course of doing a census. In this broad sense, the Aboriginal population constitutes about eleven percent of the provincial population. More narrowly defined — for example, focusing on those who, in response to a census question, would identify themselves as “Indian” — this group would account for seven or eight percent of total provincial population. These numbers, which are summarized in the table, may be lower than those you have heard from other sources.
The main statistical difference between the Aboriginal population and the general population is found in the age structure. This is very evident in the next chart which shows the percentage of the total Indian, Métis, and non-Aboriginal populations found in each age group. It is clear that the non-Aboriginal population is very much older than the Aboriginal population. For example, the top bar shows the percentage of the population who are 65 or older. In the case of the non-Aboriginal population, this age-group accounts for approximately fifteen percent of the total, while the corresponding figure for the Aboriginal group is less than five percent. In contrast, the 5 to 14 age-group accounts for almost thirty percent of the Aboriginal population and only fifteen percent of the non-Aboriginal population.
Using the same population model that I have already used to forecast population by age-group for the Province, but applying it only to what I have called the Registered Indian population, I obtained the twenty-year projections shown in this next chart.

With the trend lines for virtually every group moving strongly upwards, the picture obtained is very different from that for the general population. Both the 5 – 19 and the 20 – 44 age-groups are growing very rapidly. Again, it is necessary to note that the data themselves are subject to change, for Bill C31 will influence who is in fact going to be designated as a Registered Indian.

As a consequence, even though I have called this a forecast for Registered Indians, it might better be thought of as a First Nations forecast. There is some statistic elaboration on these data as well because of something called Bill C31 which is an Act of Parliament that effectively says whether you get to be on that Registered Indian list or not. Its long-term effect will be to actually remove some people from the Indian Registry. In one sense, this may not matter—it will not change who or what people really are. But it does have the important policy implication that, when people are removed from the Registry, they become mainly the responsibility of the provincial
government, rather than of the federal government, and Mr. Cline will certainly appreciate the significance of that change.

If you think about these two forecasts together, one of the important conclusions to be drawn is that while we are actually on the verge of a shortage of non-Aboriginal population of working age, we also have an increasing working-age Aboriginal population. This, fortuitously, is going to help us solve our problem. Some part of it may be solved by migration, but we have here a growing indigenous population that can easily pick up the slack that would otherwise appear in some ten to fifteen years. To derive the full potential benefit, however, we must do a better job both in respect of education and in providing labour-market opportunities for the Aboriginal population. Such opportunities are also essential if we are to minimize the tendency of lose the non-Aboriginal population of working age.

The fifth and final trend that I want to discuss today concerns changes in family structure. This one probably has the least impact on public policy, and it does not present any surprises. What the chart shows is the composition of families, or family structure, at five-year intervals, starting in 1986. Between that year and 1996, and although there has certainly been growth in the number of single-parent families, the big changes have been the increase in the number and relative importance of single-person “families”—Statistics Canada calls them “households”— and the relative decline of couples with children at home.

In large measure, the single-person households tend to be seniors, and that brings us full circle; we have this relatively stagnant and aging population, and it is starting to have a perceptible effect on family structure. There is a concentration of older people residing in the rural parts of the Province, and that contributes to the fall in population in those areas. In the case of the Aboriginal population, it is young and therefore growing rapidly. The various threads of the argument are all intertwined, but hopefully the presentation has enabled you to see the interrelationships, and so the “big picture” as it relates to the whole Province.
Thank you.
Thank-you, Mr. Chairman. Good morning, ladies and gentlemen. I am very pleased to join this discussion on Saskatchewan's future.

I want to thank the Canada West Foundation and the Saskatchewan Institute on Public Policy for co-sponsoring this conference, and for allowing us access to the notable expertise of Duane Adams, Dr. Roger Gibbins and the many other knowledgeable presenters who are here today.

As you know, our Government has embarked on a major consultation with Saskatchewan people concerning the upcoming Budget. The results of this conference will be a valuable contribution to the Budget planning process, and I look forward to receiving the final report.

I also want to thank the people of Saskatchewan for their hard work and the contributions they have made to the well being of our province. We have gone through nearly a decade of tremendous change, of adjustment to hugely challenging, new realities-financial, economic and social. It hasn't been easy but, together, we have faced those challenges with vision and courage.

Today, I want to talk about taking action, and having a vision.

Saskatchewan people are known for their unique ability to envision a better future and for having the courage to act on that vision. Saskatchewan people know there is no point in taking action if it bears no relationship to a sensible plan for the future. They know that action should fit within an overall vision, not simply respond to the demands of the day. And, when Saskatchewan people plan, they know it must be a practical and attainable plan, or it is no vision at all.

I ask you to cast your minds back for a moment.

When our Government first came to office in late 1991, Saskatchewan's finances were in very rough shape. A decade of deficit budgeting had saddled the Province with a huge and growing debt, which peaked in 1994 at nearly fifteen-billion dollars. Our credit ratings on the international money markets were suffering badly, and it was getting tougher and tougher to finance that debt. If we were to have any hope of pursuing our shared vision of a better future-a more secure and prosperous future-then clearly, we had to take action.

Our priority for action had to be regaining control of our finances so we could once again turn to building our province. We did that, balancing the budget one year ahead of schedule, in 1994-95. And we did it in a manner that, I believe, most fairly addressed the needs of Saskatchewan people.

Our approach was a balanced one which recognised the equal importance of eliminating the deficit, preserving important programs and services and limiting revenue measures, such as tax increases, to the best of our ability. And, after the deficit was eliminated, we continued this balanced approach.

With the support of Saskatchewan people, our Government has worked consistently to:
  • reduce the public debt of the Province;
  • lower taxes for Saskatchewan families and businesses; and,
• invest in people by improving the important public services they rely on.

Since 1994, we have reduced the total debt of the Province by, in the words of the bond rating agency, Nesbitt-Burns, a remarkable $2.8 billion. By the year 2002, the debt will fall by another billion dollars. Looked at another way, by 2002, total public debt will be reduced to less than 35 per cent of Saskatchewan's GDP-half of what it was just five years ago.

This progress has been duly noted by the financial community-particularly the major credit rating agencies. All of these agencies now have Saskatchewan's credit rating in the "A" bracket. In June, Moody's Investors Services raised our credit rating from A-3 to A-2, saying this:

"...the government continues a measured approach to maintaining fiscal balance. Having such policies in place provides comfort that the province will sustain its fiscal integrity over the medium term."

A strong credit rating allows us to negotiate debt at more favourable interest rates, thus reducing our interest costs. More importantly, it draws investment to Saskatchewan by increasing the confidence-the comfort level, as Moody's describes it-of investors.

Recognizing that Saskatchewan people deserve tangible rewards for their efforts at debt reduction, we have also lowered taxes in every budget since we first produced a balanced budget in 1994-95. We have reduced income taxes, dropped the sales tax from 9 to 7 per cent and provided a series of targeted tax incentives for business to expand and create jobs. These tax cuts help keep our economy strong and growing. And, with a strong and growing economy, more jobs and opportunities are created for Saskatchewan people.

A growing economy also has provided us with the ability to invest more in priority areas, like health, highways, education and public safety-again, providing tangible benefits to Saskatchewan people. This year, for example, we increased the health budget to $1.7 billion-the largest investment in health in Saskatchewan's history. And, when it became clear we could afford to do so, we invested a further $40 million in our health system to meet a number of pressing challenges.

In each of the last three years, we have also increased spending on Saskatchewan's highways. Our commitment is to invest $2.5 billion over ten years to highway improvements.

We've boosted investment in our future by providing additional resources for education and training at all levels, for safer communities and for programs to help families become independent, get off social assistance and stay in the workforce.

Our practical and balanced approach to financial management has helped us meet the needs of Saskatchewan residents while, at the same time, spurring significant growth in our economy. In fact, our Province has led the country in terms of economic growth over the last five year period. In 1997, we were second only to Alberta, and well ahead of the rest of Canada.

We are also diversifying. For instance, our value-added sectors, like manufacturing, food processing and agricultural biotechnology, have experienced astonishing growth in recent years.
The motion picture industry—not one of Saskatchewan's traditional industries—is also making major progress, and receiving a good deal of attention.

While the success of these and other industries is due, by and large, to the hard work and entrepreneurial spirit of Saskatchewan people, the government has been able to assist with tax incentives targeted to those industries with the greatest potential to grow and create jobs. Overall, in terms of nominal GDP growth, our economy has expanded by 34 per cent since 1992. Perhaps the best news is provided by the new jobs that are keeping people—especially young people—working in Saskatchewan. This year, average employment numbers are higher than they have been at any time in the Province's history.

Some part-time jobs are being replaced with full-time jobs. In the first ten months of 1998, 8,500 new full time jobs were created. And, that means more opportunities and a better quality of life for more people. That's why job creation is a top priority for our Government.

I appreciated Doug Elliot's earlier remarks about the challenges of keeping young people in the province. This is certainly of concern to everyone. We have to do more to provide youth with opportunities to work and live in Saskatchewan. And here, I believe we are making some headway.

Saskatchewan has bucked the national trend by creating more jobs for youth, rather than less, with a significant increase in 1997. I believe we can build on this trend if we continue to focus our efforts on training and education, and on creating the dynamic new industries that attract young, mobile, technology-minded individuals.

Overall, then, the climate for economic growth and diversification, investment and job creation has improved dramatically. It has improved because Saskatchewan people brought forward the vision of renewed financial freedom, security and prosperity—and had the courage to act on it. We must now continue to refine our plan of action so that it continues to serve that vision.

Today, our challenges may be somewhat different than they were seven years ago. But they are no less daunting. Take, for example, the farm crisis. In an ideal world, our farmers would compete on a level playing field. And, on that level playing field, with the tremendous expertise and innovation that exists in our agriculture sector, their success would be assured. Unfortunately, this is not the case.

We have today a situation in which the United States is subsidizing its wheat growers to the tune of $72 per tonne, in Canadian dollars. European subsidies have reached an astonishing $116 per tonne. These subsidies are increasing production and driving down the price of wheat. Canada provides only about $15 per tonne to its wheat growers—one fifth of what their American counterparts receive, and one tenth of what the Europeans receive. A small province such as ours, with barely a million people, simply cannot compete with these subsidies.

Clearly, this is a national responsibility that demands a national solution. After all, the farmers of North Dakota or Montana enjoy the support of their national government in Washington D.C. Saskatchewan farmers deserve the support of their national government, as well. A national
program will ensure that all farmers receive protection-not just those in provinces with the tax base to provide assistance.

Besides its devastating effect on many producers, the farm situation, along with persistently low oil prices and a general world-wide economic slowdown, is bound to have an impact on Canada's-and Saskatchewan's-economy. Fortunately, with a more diversified economy, that impact is less than might have been the case in times gone by.

Although growth will not continue at the pace of the last several years, it will continue. There is reason to remain confident of this. But, our plans for the next few years must take into account a slower rate of growth than we have enjoyed over the last four or five years.

There are other, ongoing challenges, like improving our roads and highways-something everyone agrees must be done. As one respondent to our pre-budget survey noted: "Roads are an infrastructure that supports tourism, emergency services (and) business."

Like agriculture, our transportation infrastructure needs national attention, as it supports national industries. Until such a national policy is put in place, Saskatchewan has to deal with maintaining and improving one of North America's largest road and highways networks, with one of its smallest tax bases.

Most people also agree that we need to continue to strengthen our health system. But, over the past several years, the federal government has dramatically reduced its share of funding for health, education and social spending. While we have worked very hard to replace every dollar cut from these programs at the federal level, pressures are mounting. In health, higher utilisation rates and demands for increased wages are putting pressure on the provincial treasury. It is my sincere hope that the federal government will come through with a significant restoration of funding, especially for health-as most Canadians strongly believe they should. Such a restoration is essential if Medicare is to be sustained as part of the fabric of Canadian life.

All of these challenges mean one thing: we must continue to manage our finances very, very carefully. What I have heard throughout these public consultations is that there is no shortage of ideas on how to meet our challenges. Some advocate tax cuts to make Saskatchewan more competitive. Others say we should increase taxes to provide more for health and other important services. Still others say that the debt continues to be their top priority.

There are no easy answers. The ultimate challenge is to develop and act on the plan that will take us where we want to go-all within the sound fiscal framework we have developed over the past few years. In light of the economic situation, especially, now is not the time to throw caution to the winds. This means making choices, and it means the careful balancing of interests, needs and priorities.

I'm confident we can do it. I believe our vision for the future should be a Saskatchewan that is a secure and prosperous place to live, where our labours and benefits and opportunities are equitably shared. Achieving shared goals takes agreement on a vision, and on the action necessary to get there.
Joel Barker wrote:
   "Vision without Action is merely a Dream. Action without Vision just passes the time. Vision plus Action can change the world."

These words were given to me some years ago by a group from the University of Saskatchewan.

Your presence here is evidence of your vision and your determination to take action. By working together to define, and perhaps re-define, our priorities, we are taking the next step on "the road ahead." By keeping the dialogue going, we are changing our world—for the better.

We are building a Saskatchewan in which young people, seniors, families, communities, farmers, business people—people in all walks of life—can look forward to a future of ever greater opportunity and prosperity.

Thank you for your time. And now, I look forward to answering your questions.
SUMMARY OF PROCEEDINGS
Duane Adams, Director
Saskatchewan Institute of Public Policy

We have now reached the point in the agenda where Roger Gibbins and I must attempt to summarize the highlights of your dialogue over the past day and one-half. This is perhaps the biggest challenge of the Conference for us, because you have said so much and you have had so many ideas to share. That observation may itself be one of the more important findings of our Conference: If our citizens are given the facts, an opportunity to discuss them, and are asked for advice, they will provide it, willingly, ably, and sincerely. I believe that everyone here has benefited from the knowledge and friendship that has been shared, and Roger and I would like to thank you for your contribution to what we believe has been a most productive and stimulating conference.

Not surprisingly, we have found among the delegates considerable diversity of views regarding needs, priorities, and potential directions. Several of you have remarked to me that you had not previously understood certain points of view, but the opportunity to discuss them with adherents has provided that understanding and, in some cases, even empathy. That must certainly be counted among the major benefits of the Conference. I am confident in asserting that whether the issue be culture, gender, the aged, rural or urban society, the advantaged or the disadvantaged, we shall all leave here with a new appreciation for the needs and views of others.

The profusion and variety of ideas that has been generated in the last day and one-half defy ready summarization. As Dr. Gibbins and I have indicated, all your advice and views have been recorded, and we intend to publish them in suitable form very shortly. Finance Minister Eric Cline has been with us throughout the Conference, and most of you will have observed him listening during your small-group discussions. Both he and the Premier have been intensely interested in what you have said, and I am confident that you will find some of the ideas with which you have grappled reflected in some of the provisions of the forthcoming provincial budget. I would judge your time to have been well spent.

There is one resounding point of consensus in the meeting: The strength of Saskatchewan is found in our people, in their diversity, their experience, their history, and their traditions. These are the sources of their contributions to our society, and these are the characteristics that, from time to time, have enabled this relatively small society to exert a totally disproportionate influence in the greater Canadian society.

Unfortunately, there is also something of a consensus that we do not market these strengths very well, either to ourselves or more broadly, to the world beyond our provincial boundaries. We are privileged to live in Canada, the country that the United Nations believes is the best place in the world to live, and, as we learned from the distinguished economists and political scientists who addressed our Conference, we are one of the best performing provinces in that country. There is no reason, therefore, to be shy or reticent about our economic prospects.

A theme common to several work-groups was the need to organise horizontally, to co-operate in a context of new partnerships and alliances sharing common interests and objectives. The suggestion
was that we have had too much of what I might call a "stove-pipe" focus, looking vertically for solutions that might better be sought in horizontal linkages across related sectors. The latter approach implies taking advantage of our diversity by pooling, in a partnership setting, the skills, energies, strengths, and experience of related organisations to meet multiple objectives by a common, collaborative strategy. One example that I heard called for the creation of more enterprises to process agricultural produce within the Province, with the enterprises being linked through a training and employment initiative to an appropriate educational institution, and possibly receiving financing from a venture capital initiative. It was also suggested that in staffing the enterprises, economically disadvantaged youths could be targeted. Greater reliance on co-operative work-study opportunities was also advocated.

Much discussion, of course, focused on the Province's immediate fiscal environment. The budget is balanced and, overwhelmingly, you indicated that it should remain so. There was a clear consensus that there should be no return to debt financing. It was recognised that it was unrealistic to expect much new provincial money in the coming fiscal year, and that, in consequence, there probably can be no dramatic increases in spending or debt reduction. It was also recognised that tax-policy changes, too, would have to be modest. There seemed to be agreement that tax reductions were considered more urgent than debt reduction, but several groups did express a willingness to see selective tax increases, if these were necessary to maintain program spending in critical areas. The so-called "sin taxes", and fuel tax were the prime candidates identified if tax increases were considered essential.

Recognition of the uncertainty and serious negative impact of the international economy on the Province caused many of you to advocate a cautious approach to budget policy at this time. Several suggested that the uncertainty ought not to be a source of pessimism regarding our economic prospects, but that it did warrant a more-than-customary degree of caution. And this is certainly a stance compatible with the presentations that we heard at the Conference, which tended to convey messages of guarded optimism.

It was rather generally recognised that some emergency farm aid will be necessary, and that the Province would be required to contribute to this. More generally, there seemed to be agreement that the Province should be careful not to try to undertake too much, and that a focused and targeted approach would likely be much more effective than attempting to do a little for many. Preferred areas of expenditure included education, health care, and highways, with aboriginal and general economic development also being frequently mentioned. In particular, several groups noted that our efforts had to be directed to realising much more of the economic potential of our aboriginal population.

In terms of spending priorities, the Conference repeatedly identified investment in education as being crucial to both our immediate needs and future requirements. Several groups, however, urged that the "K to Grade XII" educational system be re-evaluated, to ensure that we get more value for money from it. More generally, several groups recommended that steps be taken to make certain that the educational system was directed to meeting the human resource needs of the Province.

Not surprisingly, expenditure on health care received a considerable amount of attention during the Conference, but it certainly did not dominate other topics, most particularly, education. Several
groups noted the need to renew the provincial vision for health care, especially the emphasis on the "wellness" model, which, if widely accepted, could lead eventually to less pressure on health-care expenditure.

I worry somewhat that, in a conference such as this, it is too easy to lose or overlook minority views. Clearly, we have to be directed by opinions to which clear majorities subscribe, but it is essential that we listen both carefully and compassionately to dissenting or differing voices. There is much to be learned from such voices, and we must find ways to include them in the larger social agenda. While hardly a dissenting voice, our friend from the community of Leader made a powerful appeal this morning to the meeting, for individuals and communities to become more self-reliant. It was wrong, he suggested, to wait for someone else to solve our problems. Instead, communities should be identifying what it is that they can do, and then going ahead with it. Judging from your response, I have to conclude that there was a lot of support for this idea.

This morning, Donna Dasko observed that it is traditional for Saskatchewan people to "worry", and that this typically shows up in the poll results obtained here. Given the dependence of the Province on agriculture, with all of the uncertainty that characterises that industry, an inclination to worrying is probably both understandable and not misplaced. But, as Donna indicated, for the past four years the worrying has been decreasing, until, that is, the most recent survey, which shows a rather sharp loss in confidence. It is too soon to determine if this is temporary, or possibly the beginning of a more pessimistic trend. Certainly, the short-term agricultural outlook is extremely troubling, but, as our presenters noted, that are grounds for cautious optimism in other sectors of the provincial economy. It is in this uncertain context that Finance Minister Cline must prepare his budget. His task will not be easy, but I do believe that this Conference will have contributed in a most positive way to his deliberations. To the extent that this is correct, I believe we may all leave with a sense of having used our time together most productively.

On behalf of Saskatchewan Institute of Public Policy and the Canada West Foundation, and Dr. Gibbins and me, we thank you for your time and effort. It has been most worthwhile..
Dr. Roger Gibbins, President  
Canada West Foundation  

Closing Remarks  
"Building Saskatchewan's Future" Conference  

Thank you, Duane. I'll try to restrict my comments to just a few snippets of insights—well, a fair number, but there is far too rich a tapestry of views and insights to summarize quickly and to do at the end of the day. So I will try to be quick and if, by mistake, my views seem to reflect that great sucking sound to the west of Saskatchewan, I apologize—it is only because I'm tired.

I hope you had fun spending millions of dollars. It was kind of nice to sit and say we'll spend a million here or five million there. You certainly took the fun out of sin, so I am glad and hope that you had some fun in spending the public funds.

You were asked to match your visions and your aspirations to the programs and budgets of the provincial government. This is not an easy task to do and I think the conference produced some understanding of the very difficult nature of trade-offs in the political world. As Janice [MacKinnon] said, we can appreciate what a tough job it is and the fact that maybe those guys really do earn their keep in making tough decisions. But I think the discussions also illustrated another difficulty, and that is the frustration that can arise in trying to address long-term problems through an annual budget process; of trying to use the relatively limited resources of an annual budget to address problems that may be just on the horizon and just coming into public view. I thought often during the conference of the slogan or motto of my own university which is "lift up thine eyes." And this, I think the delegates did, you did, in two very important ways. You looked well into the future and you looked past or perhaps through your own interests and your own experience. I never had the sense the delegates lost sight of the larger community well-being.

I was particularly struck, and Duane has commented on this as well, by the high level of satisfaction with the status quo within the province. The emphasis was on fine-tuning rather than on root and branch change. Your sentiment was not quite "steady as she goes," but close with respect to government programs and taxes. This reminded me of Eric Cline's overhead of news stories on the Saskatchewan film industry. My advise to film makers would be to not come to Saskatchewan if you want to make a slasher movie. These people do not even believe in slashing taxes, never mind programs, so perhaps this would be a great province in which to make "nibbler movies"—a little bit here; a little bit there.

I was struck, as Duane was, by the emphasis placed on improving education, and there may be a troubling paradox here. Let me try to explain in a way that I hope is not in any way a downer. I will do so by referring briefly to an Alberta writer, W.P. Kinsella. In his book, or as most of us know better from the movie, The Field of Dreams, the central character believed that if you build a stadium, they will come. The "they," of course, were the ball players. You could think of the stadium as the provincial infrastructure, the kinds of productive physical resources that are here in the province, and you could think of the ball players as jobs and investment. However, by concentrating on education, you may also be building better ball players, not better stadiums. And while stadiums are locked in place, ball players are not. They can take their ball and play
elsewhere. There is then a need to strike a very delicate and terribly important balance. You want to give your children—your ball players—the education they need to play anywhere—to leave Saskatchewan if they want. But you also want to create the employment opportunities, so they can stay if they want. The choice is their's, but you want to ensure that the choice is a real one and that both options are possible.

There is a related point here. Delegates wrestled with the trade-offs between investment in physical capital or infrastructure, such as roads, and investment in human capital, such as education and students. And I think the nod went to human capital, and that is certainly a nod that I would applaud. But again, the unfortunate reality is that human capital can pack up and leave, taking your investment with them. If, on the other hand, you resurface Highway 11, it can't pack up and go to Calgary no matter how much it might be needed.

That brings me to another point. In the 1930s, Social Credit Leader William Aberhart used the rhetorical device called "the man from Mars". He kept bringing this guy down, the man from Mars, and used him to explore all sorts of puzzling things about Alberta during the depression. And in many respects, I felt like the man from Mars because of an odd contradiction: as I sat through the conference, I noticed the paradox between a concern for out-migration, and a tremendous sense of pride in the province. And I kept asking myself, Why? Why do people want to leave? There is something odd going on here.

I was impressed with how delegates wrestled with the fundamental dilemma of globalization. We want our local communities to count. We want to be masters of our own lives, both individually and collectively. And yet, we live in an age where we are hammered by events and enticed by opportunities on the other side of the globe. Well, if effective solutions were elusive, at least you demonstrated a tenacious defence of your province and your communities. This was reflected in the sentiment about "buying Saskatchewan". But that also illustrates an important reality facing this province: if residents did nothing but eat bread, burn oil and do whatever one does with potash, it would not make a dent in the amount of wheat, oil and potash produced by this province. The dependence on global markets is both unavoidable and dominating.

As Duane pointed out, aboriginal peoples are central to any long-term game plan for the economic prosperity of this province. And there was a clear, emphatic recognition of this in all the groups and by the delegates. The language was that of economic integration; not of cultural assimilation; not of blending, but of good, honest economic integration. And there may be a role here for the government in driving home this message—that it is not simply a matter of doing what's good or not simply a matter of doing what's right or just, but doing what is absolutely essential in the long-term economic interests of this province.

I was struck by the strong sense of community among delegates. Maybe it was not a fully inclusive community, but it was not exclusive in spirit or design. This, at times, can make people reluctant to choose, to address trade-offs, but in some respects that's a virtue. I was reminded of the Willie Nelson song where he sings "why do we have to choose, everybody loses", -words to that effect. Well, as my wife rather grimly points out, that's life. It is life, but nonetheless the trade-offs were approached by this group with a great deal of sensitivity and a reluctance to take quick or easy decisions.
This brings me to a couple of final points. The concept of sustainability kept rattling around in my head as I listened to the groups. What needs to be addressed is what are the aspects of Saskatchewan that are sustainable; what are the aspects of the province, of the tradition, of the culture, of the infrastructure that may not be sustainable. And the issue that arose, time and time again, was that of roads.

Finally, my last substantive point. It is important to recognise that some of the key factors in building Saskatchewan’s future may be beyond the control, or even the influence, of governments. The population is aging and that is something that public policy cannot touch. People will decide to leave Saskatchewan or to come to Saskatchewan for a complex set of individual reasons that are, again, largely beyond the influence of public policy. So to some extent, our hands may be tied, but that should not prevent us from seeking leverage through the political process, while realising, of course, that our expectations must be modest. We cannot reshape the world, but we can try, at least at the margins, to mould it to our expectations, our visions, our aspirations.

Let me conclude by offering some thanks. And there are so many people to thank that I am sure that I will make some terrible omissions. I would like to thank the staff of the Saskatchewan Institute of Public Policy, my own Canada-West-Foundation staff, and the people who volunteered, I think volunteered, from the Department of Finance. There is a tremendous amount of work that went on behind the scenes to bring this conference together in a very short period of time and to make it work smoothly over the last day and a half. I particularly would like to thank the facilitators, whom I think did a wonderful job of trying to handle a very difficult task, and who did so admirably and brought out the best in the delegates. A tremendous job! And they were backed, of course, by the note takers, by the recorders, and I think we were all served so well by their efforts. Above all else, on behalf of both the Saskatchewan Institute of Public Policy and the Canada West Foundation, I would like to thank you for your work, for your good cheer, for your ideas and for your insight. Your work will make a difference.

On a more personal note, I would like to thank Duane for the opportunity to participate in this forum. And I would like to thank all of you for a wonderful crash course on Saskatchewan. Seldom have I learned so much in such a short period of time. To quote somebody earlier today: "I guess I know much more about Saskatchewan than I did Sunday night." I am thankful for the opportunity to have learned so much.

So, God speed. Drive safely. Remember, all the work we did over the last day and a half will not be worth a single accident on the way home.

Take care. Good night.