Saskatchewan is on a roll

by Lee Harding
Saskatchewan Director

After having the best economic growth of any province in 2008, most forecasters are predicting a repeat performance in 2009. Even better, the provincial government is changing its relationship with the private sector in positive ways: Less government interference in the economy, the introduction of semi-private speciality wine stores, and more public-private partnerships.

October saw the release of a government-commissioned report on 26 Crown investments made outside the province from 1991 to 2007. Whereas architects of such investments predicted a 22 percent return, the result was a 15 percent loss.

In response, Minister of Crowns Ken Cheveldayoff announced the "Sask First" policy. From now on, provincial crowns will focus on their home province and avoid out-of-province investment except where some benefit for Saskatchewan people can be demonstrated. Although this approach still has its problems, it will mean the welcome disposal of nine out-of-province investments.

In December, the province decided to stop rolling the corporate welfare dice. However, explaining the situation is like peeling back the layers of an onion. In 2003, while the NDP were in power, the government-owned Crown Investments Corporation created another company called Investment Saskatchewan (IS). IS's sole purpose was to sink taxpayer dollars into businesses. Later, in 2006, the board of IS formed a private company called Victoria Park Capital (VPC) to make and manage these investments.

In a bizarre twist, IS signed a five-year contract with VPC in 2006. Under its terms, the Saskatchewan government would have to provide VPC with $25-million of investment capital each year from 2007 to 2011, with an automatic renewal extending through 2014. This guaranteed $200-million would go from taxpayers' pockets to Saskatchewan companies.

Fortunately, the Sask Party government had other ideas.

"We are not going to continue to put taxpayers' money into high-risk investments through Victoria Park Capital or anyone else. That's the bottom line," Minister of Enterprise and Innovation Lyle Stewart told the press in December. In fact, the province commendably introduced new legislation freeing the province from any

obligation to give VPC more tax dollars.

Stewart says he prefers a negotiated settlement. However, buying out the contract would be expensive considering the province paid $17-million to VPC in management and performance fees in just two years.

Within days, Dan D'Autremont had more good news. The Minister for the Sask Liquor and Gaming Authority (SLGA) announced that tenders would be issued for two new speciality wine stores—one in Regina and one in Saskatoon. The stores would operate on the same arrangement that the SLGA has with its rural vendors. The move means that licensed restaurants and establishments will have a more ready supply of wines that are a bit less common. In addition, rural vendors will also be able to make special orders for products not normally carried by the SLGA.

Then, D'Autremont made another announcement early in the New Year, advancing a proposal your CTF has advocated for years. The province will now subject all capital projects that cost more than $25-million for consideration as a public-private partnership (P3). A P3 is a legally binding contract between a government and a private company for the delivery of products or services. It often extends beyond the responsibility for designing and building a facility to managing and operating it as well.

It is refreshing to see a government that tries to minimize its footprint instead of putting its fingers in every pie. Hopefully, this is just the beginning.■

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Opportunity Knocks

In December, Saskatchewan Director Lee Harding met with Finance Minister Rod Gantefoer to present "Opportunity Knocks," the CTF's pre-budget submission. Saskatchewan is expected to lead the country in economic growth for the second straight year in 2009, meaning the province has another opportunity to reduce taxes and payoff debt.

Lower school property taxes remain our number one priority. Roughly half of school funding in Saskatchewan comes from this source—by far the highest level in the country. This archaic approach that punishes farmers, low income earners, and even cabin owners has to go. Incredibly, 59% of CTF supporters in Saskatchewan said they wanted school property taxes removed entirely — even if it meant higher taxes elsewhere!

It's not the only tax relief in order. Despite the welcome $300-million income tax cut announced in October, Saskatchewan residents are still taxed higher at most income levels than those in Alberta and B.C. The same could be said for the province's large business, small business, gasoline, and insurance taxes.

The province must also continue aggressive debt repayment. One way to do this would be to dedicate all oil royalties towards debt reduction. This would guarantee continued pay-down of the debt in accordance with the province's fiscal capacity. It would also ensure that program spending won't rely on oil, a commodity with a volatile price. In time, such revenues could be dedicated to a savings fund like those found in Alaska or Norway. ■