

October 29, 1987

AFTERNOON SITTING

INTRODUCTION OF GUESTS

Hon. Mr. Berntson: Mr. Speaker, I'd like to introduce two guests sitting behind the rail on the government side of the House. They are two MLAs from Manitoba who had an interest in what was going on at the Saskatchewan Farm Finance Symposium that's going on downtown at this very moment. They are Jim Downey, MLA for Arthur constituency in Manitoba, and Clayton Mannes, MLA for Morris constituency in Manitoba. They have been in town taking part in the discussions that have gone on at the symposium this morning, and I expect they will take part in the discussions that go on this afternoon and tomorrow as well. The only thing more interesting, I suppose, than the farm finance symposium is question period here in the House. That's the only thing that would draw them away from that.

I would invite all members, Mr. Speaker, to welcome these two members from Manitoba to our legislature.

Hon. Members: Hear, hear!

Mr. Solomon: Thank you, Mr. Speaker. I'd like to introduce to you, and through you to this House, and all members, 75 adult students from the Saskatchewan Institute of Applied Arts and Science, which is located -- at least one of the colleges is located in my constituency -- in the former R.J. Davidson School on Franklin. I'd like to welcome all of you here this afternoon. I hope you enjoy the question period, and I look forward to meeting with you at 3 o'clock. Thank you.

Hon. Members: Hear, hear!

Mr. Martin: Mr. Speaker, I would also like to join with the member from Regina North West in welcoming these students from that school. I have a Wascana Institute in my constituency. The Saskatchewan Skills Development Program is a program of excellence and one that I'm sure they're going to achieve a lot from. I'd like to use a quote, if I may, from Oliver Wendell Holmes, that:

. . . the great thing in this world is not so much where we stand, (but) as in what direction we are moving.

And by being involved in the Saskatchewan Skills Development Program, you're obviously moving in a very positive direction, and we compliment you for that.

I join with other members in welcoming you here today.

Hon. Members: Hear, hear!

Mr. Thompson: Thank you, Mr. Speaker. I would also like to join with the other members in welcoming the class here today. I have one constituent, Ernestine Janvier from La Loche -- and I'm

not sure if I have any more constituents -- but I want to take this opportunity to extend to you, Ernestine, and the rest of the class, best wishes.

Hon. Members: Hear, hear!

## ORAL QUESTIONS

### Tax on Propane Gas Supplies

Mr. Solomon: Thank you, Mr. Speaker. In the absence of the Minister of Finance, I'd like to address my question to the Deputy Premier. It deals with the red tape nightmare created by this 32 cent a gallon gas tax. The latest example of the red tape involved in this whole process comes in the bulletin put out by the department of revenue, addressed to all propane suppliers and dealers.

All propane used in vehicles, as you know, is subject to the gas tax, while propane used for heating or cooking or lighting is tax exempt. But effective November 1, you will require propane wholesalers to collect a 32 cent a gallon tax on all the propane that they deliver to the retailers. Then the retailer is required to keep track of what was sold for a tax exempt purpose and claim a tax credit on future purchases from the wholesaler.

Can the minister explain how this reduces the red tape nightmare for small-business people who sell propane?

Some Hon. Members: Hear, hear!

Hon. Mr. Berntson: I suppose, Mr. Speaker, it's always difficult to find a balance between fairness and administrative red tape, as he calls it. I suppose the only thing that would be worse, Mr. Speaker, if the NDP were back in office and they had a 20 per cent tax on all fuels. And since I'm . . .

Some Hon. Members: Hear, hear!

Hon. Mr. Berntson: Thank you, I appreciate that.

Mr. Speaker, since I'm not familiar in detail as the Minister of Finance would be with this particular issue, I'll take notice of the question and have the Minister of Finance respond when he returns -- I believe tomorrow.

Mr. Solomon: Mr. Speaker, a supplementary to the Deputy Premier. Under this procedure the propane retailers are paying a 32 cent a gallon tax on a non-taxable item. They then have to apply for a rebate of a tax they shouldn't have paid in the first place.

When you're getting information from the Minister of Finance and taking notice, can you also explain the legal foundation for the collection of a tax on a non-taxable item? And is this a legal principle you plan to apply elsewhere?

Some Hon. Members: Hear, hear!

Hon. Mr. Berntson: To answer the first question, the answer is yes. To answer the second question, I'll leave that to the Minister of Finance because the answer to the second question depends on the answer to the first question.

#### Status of Farmland Security Act and Production Loans Program

Mr. Goodale: Thank you, Mr. Speaker. My question is directed to the Deputy Premier, and it flows from comments that he has made in the media in the last couple of days about the quickening pace in the legislature and the fact that the House may adjourn in the next short while. And I wonder if the Deputy Premier could indicate where this would leave The Farmland Security Act which, as the Deputy Premier will know, was extended to the end of this calendar year with the provision for it to be extended even further by order of the Lieutenant Governor in Council.

Obviously the agricultural situation has not improved since we last amended the legislation, and I wonder if the Deputy Premier could indicate the government's specific intention with respect to The Farmland Security Act which, as the Deputy Premier will know, was extended to the end of this calendar year with the provision for it to be extended even further by order of the Lieutenant Governor in council.

Obviously the agricultural situation has not improved since we last amended the legislation, and I wonder if the Deputy Premier could indicate the government's specific intention with respect to The Farmland Security Act and whether it will be extended further.

Hon. Mr. Hepworth: In response to the hon. member's question, Mr. Speaker, as when that Act was first introduced some three years ago now, the legislation provided for the Act to be continued for a second year based on what conditions might be at that time. That same provision is there, and I suspect some time later this year cabinet will make a decision so far as whether that's going to be extended again.

I think everyone is aware, as the hon. member has pointed out, that there is . . . nothing has improved in the farm sector over the past year. And as well, everyone is aware that at this very moment there is a conference going on in Regina, convened by our Premier, to look at that whole question of farm debt and what innovative solutions we might additionally come up with to protect our farmers and to keep them on the land, and in fact improve their well being, Mr. Speaker.

Some Hon. Members: Hear, hear!

Mr. Goodale: Mr. Speaker, farmers will anxiously await the word from the government about their intentions with respect to The Farmland Security Act.

I would ask the minister to give some indication, at this point in time, of the government's intention with respect to the production loans program. As he knows that program will, in the normal course, require repayments beginning about the first of 1988 unless the government further extends or modifies that program. And I wonder if the minister could indicate if the government intends,

indeed, to modify again the repayment terms of the production loans program?

Hon. Mr. Hepworth: Well, Mr. Speaker, at this very moment no decision has been made on that, and the reason no decision has been made is because the government is in fact canvassing the views of the farmers and farm groups. It is one of the discussion items that has been discussed. In fact at this very moment at the conference, as well as recently as last week, myself and other members of the cabinet met with the Saskatchewan Association of Rural Municipalities; they put forth an option on that. I'm sure other groups have come forth with some possible options relative to the production loan. They'll all get consideration, and a decision will be made, Mr. Speaker.

Some Hon. Members: Hear, hear!

#### Comments on Free Trade Deal by American Official

Mr. Upshall: Thank you, Mr. Speaker. My question is to the Acting Minister of Agriculture, and it deals with comments on the Mulroney-Reagan secret trade deal. And these comments were made by an American agricultural official, one Jim Nichols, he's the commissioner of agriculture for Minnesota, and he says the deal is bad for farmers on both sides of the border. Mr. Nichols told Saskatchewan farmers, and I just want to quote:

Mulroney sold you guys out pretty cheap. We have only 50 stars on the American flag (today, but as soon as this deal is ratified we will be able to sew it on, on the 51st.)

When American officials are asking . . . are telling farmers in public meetings in Saskatchewan that the Mulroney-Reagan trade deal is a sell-out which would end up as Canada being a 51st state, how can you stand there and continue to say this is a good deal?

Some Hon. Members: Hear, hear!

Hon. Mr. Berntson: Mr. Speaker, since I had a little fun with this yesterday, I'd like to have another run at it today. You can find people all over the United States -- all over United States, but not too many, that would say, Mr. Speaker, that the protectionist mode that United States is embarked on is the right way to go. You can find people in Canada that will say the same thing, that we should build these big walls around our respective countries, as the member for Riversdale said the other day at the University of Saskatoon when he very simplistically tried to explain what this free trade deal does.

He said, Mr. Speaker, you put a fence down this line, and you put ten cattle on this side, and then you put 100 cattle on this side, and then you take the fence up, Mr. Speaker -- this is the member for Riversdale, the new leader of the NDP in Saskatchewan -- and he says, what do you think will happen? Those 10 cattle from the Canadian side of the fence are likely to mingle with those 100 cattle on the other side of the fence, and those 100 cattle might come up and eat some of our grass or get into some of our markets; some of our cattle might get into United States market -- what a terrible thing!

The United States market, Mr. Speaker, is 10 times as large as ours, and why wouldn't we want to

have access to that market?

Some Hon. Members: Hear, hear!

Mr. Upshall: Mr. Speaker, Mr. Minister, I'm not concerned about anything but making sure that Saskatchewan farmers stay on the land in Saskatchewan.

Some Hon. Members: Hear, hear!

Mr. Upshall: And we're saying that, and the people in the United States are saying that. This person, Mr. Nichols, says the only people who will benefit are the large private grain companies, the food processors, the oil companies and the banks. That's who's going to benefit -- and pitting farmer against farmer on either side of the border.

He notes, just as you've mentioned about cattle -- he notes that cattle production will be swamped . . .

Mr. Speaker: Order. Order, please. Order, please. Order. I'd like to remind the member not to quote on supplementary questions.

Mr. Upshall: Mr. Speaker, this person indicates that American cheap, corn-fed beef will swamp our markets, and they can range them for 12 months.

So I ask you: does the Government of Saskatchewan have any studies that it can table in this legislature to point out otherwise, or are you going to continue to mouth this deal, jumping into a blind leap of faith with this trading arrangement negotiated by a Premier and a Prime Minister who were so desperate that they would sign anything?

Some Hon. Members: Hear, hear!

Hon. Mr. Berntson: I hesitate to inject a little fairness and reason into the discussion, but that member, that member, Mr. Speaker, that member was invited, that member was invited to participate. He was talking about his interest in keeping Saskatchewan farmers on the farm. He was invited to participate in the seminar that's going on downtown at this very day. It's going on this very day. And I don't care when he was invited. The fact is, he was invited.

Mr. Speaker, he showed up for lunch today. He showed up for lunch. He wasn't there to participate this morning. And during lunch there was a speaker. That speaker was Keith Kelly -- Keith Kelly, commissioner of agriculture from Montana -- who takes the exact opposite view of the commissioner of agriculture from Minnesota, and that just tells you something of the debate that goes on, Mr. Speaker.

Some Hon. Members: Hear, hear!

Mr. Upshall: Mr. Speaker, a new question to the same minister. Mr. Minister, would you, after this question period is over, like to table the invitation that I supposedly received to the agriculture

symposium?

Some Hon. Members: Hear, hear!

Hon. Mr. Berntson: Obviously, Mr. Speaker, if the invitation was sent, I don't have it, you know. Number one; that's number one. Number two . . .

Mr. Speaker: Order. Order. Order, please. Order. Order, please. Order, please. Order.

Hon. Mr. Berntson: Number two, Mr. Speaker, I wish I had it here. But I saw the member . . . Oh, I do. I saw this morning, Mr. Speaker, at noon, the member walking around with his happy little badge on that shows that he was an invited guest. And I'd be glad if I could get it off you this afternoon to table it, Mr. Speaker.

Some Hon. Members: Hear, hear!

#### Closure of Dentist's Office in Gravelbourg

Mr. Hagel: Mr. Speaker, in the absence of the Minister of Health and the Premier, I'll direct my question to the Acting Minister of Health. Mr. Minister, it has to do with your government's privatization of the children's dental care program and the resultant reduction in access to dental care for children in rural Saskatchewan.

You will be aware, Mr. Minister, that in Gravelbourg there was -- there was -- a satellite office for a dentist's office that was provided by a dentist from Moose Jaw who, since the privatization of the children's dental care program has said now, he's decided he's become too busy and has closed down his satellite office in Gravelbourg.

And I ask you, Mr. Minister: are you aware of this case, and can you tell me how the elimination of this satellite office in the town of Gravelbourg has improved the access to dental care for the children of that town? Can you tell me that?

Some Hon. Members: Hear, hear!

Hon. Mr. Taylor: Mr. Speaker, I'm not aware of all the details. I have heard that the dentist did leave Gravelbourg and that the town is actively searching and recruiting a new dentist. I would think an area the size of Gravelbourg, a town of that stature, will have no trouble in getting a dentist, and I wish them well on this.

Dentists move from time to time throughout this province; did when we had a school dental plan; have for a number of years. I don't know the reasons why the dentist left Gravelbourg, but I feel confident that Gravelbourg will be able to recruit a dentist and will provide service to the students of that area.

Some Hon. Members: Hear, hear!

Mr. Hagel: Supplementary, Mr. Speaker. Mr. Minister, Gravelbourg does not have a dentist because it is not worth it to a dentist to be there. And you know, you know that prior to the privatization of your dental care program, your children's dental care program, Gravelbourg had a dental care clinic in its elementary school and it had a satellite office for a dentist. Gravelbourg now has neither a dental care clinic; it does not have dentist service. And can you explain to the families of Gravelbourg how that's an improvement of the dental care service to the families?

Some Hon. Members: Hear, hear!

Hon. Mr. Taylor: I have trouble following the logic of the member opposite. It would seem to me, when there are more students available for private dentists, and that is the same in any part of Saskatchewan, that certainly a dental practice will be more attractive in Gravelbourg, as there will be other areas in which there'll be more students there for the dentist to service. So I fail to follow your logic.

Mr. Hagel: Supplementary, Mr. Speaker, Mr. Minister, there are families across rural Saskatchewan who haven't noticed the advantages of the privatization of the children's dental care program, and you know that.

Some Hon. Members: Hear, hear!

Mr. Hagel: You will know as well, Mr. Minister, that prior to September 1 families throughout the constituency of Assiniboia-Gravelbourg could have their children cared for at nine school-based clinics in nine communities -- nine school-based clinics in nine communities.

Today, Mr. Minister, in the constituency of Assiniboia-Gravelbourg they have access to three dentists in one community -- in Assiniboia only. And I ask you, Mr. Minister, will you explain how that is improved access to dental care for families in Coronach, in Gravelbourg, in Lafleche, in Limerick and Mossbank and Rockglen and Willow Bunch and others? Can you answer that one for them, Mr. Minister?

Some Hon. Members: Hear, hear!

Hon. Mr. McLeod: Mr. Speaker, I apologize to the hon. member for being just a little late for his question.

Mr. Speaker, the member refers to the Gravelbourg circumstance, and the member should very well know, as I'm sure the member from Gravelbourg understands, the dentist who is leaving Gravelbourg is leaving for this reason, stated by that dentist and by the people of Gravelbourg: there's too much business now. There's too much business now. That's the . . .

Mr. Speaker: Order. Order. Order, please. Order, please. Order.

Hon. Mr. McLeod: Mr. Speaker, I'm very confident that there will be in Gravelbourg, because of the area that is served by that area, there will be in Gravelbourg a dentist, and perhaps a couple of dentists in that area who will serve that area.

Now, Mr. Speaker, because the particular individual who was there decided now, with the influx of children to his practice, he doesn't want that size of practice, that does not mean that there is not the business there for a dentist who does want a practice that size or larger. And there will be dentists in Gravelbourg, Mr. Speaker.

Some Hon. Members: Hear, hear!

Mr. Hagel: Mr. Minister, you may have some optimism, you may have some optimism for the people in the town of Gravelbourg that they'll have a dentist some day. But, Mr. Minister, will you stand in this House and communicate your optimism to the families in Coronach, in Gravelbourg and Lafleche and Limerick and Mossbank and Rockglen and Willow Bunch who had access to a children's dental care clinic, and they don't now? Will you communicate that optimism to them?

Some Hon. Members: Hear, hear!

Hon. Mr. McLeod: Once again, Mr. Speaker, the member refers to the various communities and speaks of the access to dental care, the access to dental care that were involved in those various communities. And, Mr. Speaker, I repeat once again, those children's dental care programs were there, and the dental therapists or the technicians that visited those communities were not there, as the member suggests, and as his colleagues have suggested, were not there on an ongoing basis. They were not there on a weekly basis. They were there for the most . . . they were there, Mr. Speaker, and individual children saw those dentists once . . .

Mr. Speaker: Order. Order. Order, please. Order. Order. Order.

Hon. Mr. McLeod: So, Mr. Speaker, just to complete the answer to the question. The dental services that are rising up in rural Saskatchewan in the various communities that have not had dental services until now, for all citizens of the province, be they children, adolescents, or the adult community of those various communities -- the adult population of those communities -- is a benefit to rural Saskatchewan, Mr. Speaker, not a decline in rural Saskatchewan.

Some Hon. Members: Hear, hear!

Mr. Hagel: Mr. Minister, I don't know how many times we have to go through this to get the message to sink in. The fact of the matter is -- supplementary, Mr. Speaker -- the fact of the matter is that children in the communities of Coronach and Gravelbourg and Lafleche and Limerick and Mossbank and Rockglen and Willow Bunch had access to a high-quality preventative dental care program, and now they have no dental care programs available to them at all. And can you explain how that is better to those children and to their families? Can you explain that?

Hon. Mr. McLeod: Mr. Speaker, as I have said, and as the dentist who is leaving Gravelbourg has said, the number of people who want to visit the dentist is too great for his practice. So what I'm saying to you, Mr. Speaker, is, there will be dentists in Gravelbourg because dentists, and young dentists who are trained in the college of dentistry in our own University of Saskatchewan, are looking for places to practise.



And when enterprising young dentists see a place like Gravelbourg where a dentist is leaving because the practice is too lucrative, they'll be there to fill the void.

Some Hon. Members: Hear, hear!

Mr. Hagel: Supplementary, Mr. Speaker. Mr. Minister, this dentist may be busier in Moose Jaw, but can you tell me, who is the dentist that's coming to Gravelbourg? Who is the dentist coming to Coronach? Who is the dentist coming to Lafleche, to Limerick, to Mossbank, to Rockglen, and to Willow Bunch? And will you explain to the people in rural Saskatchewan how this loss of a very important preventative dental care service is better for them and better for their children? You can't justify that, and you know it.

Some Hon. Members: Hear, hear!

Hon. Mr. McLeod: Mr. Speaker, it's interesting, the member from Moose Jaw speaking about the lack of dental services or lack of any type of service in rural Saskatchewan.

Mr. Speaker, the people of rural Saskatchewan, the number one concern that they have -- or numbers two or three or down to number 10 -- is not where the child will visit the dentist once a year. That's not the concern that they have, Mr. Speaker.

That member, the member that represents Assiniboia and Gravelbourg, is in the House today. The member that represents Assiniboia and Gravelbourg is here. And I would suggest he, as a rural member, as are all of our rural members here, many here, who represent rural ridings who those members say have this great concern about . . .

Mr. Speaker: Order, order. Order, please. The member can't answer if he's constantly interrupted.

Hon. Mr. McLeod: Thank you very much, Mr. Speaker. I appreciate you bringing the House to order.

The members, the rural members that are on this side of the House, the rural members for Assiniboia-Gravelbourg, frankly, other rural members know the concerns of people in rural Saskatchewan, and those concerns are not, where shall that visit to the dentist, that annual visit to the dentist be.

But to answer the question directly as it relates to Gravelbourg, I'm very confident there will be dental service in Gravelbourg because of the market that is there in that area.

Some Hon. Members: Hear, hear!

#### Fee Increases for Nursing Home Residents in Saskatchewan

Mr. Calvert: Mr. Speaker, I was glad to see the Minister of health come into this House this afternoon because I, too, have a question for him.

On Sunday, on this upcoming Sunday, November 1, fees for residents of nursing homes in this province are again going to increase. Mr. Minister, you know that on Sunday the fee will increase to \$596. That's an 18 per cent increase in the last year -- indeed, an 18 per cent since the month of May; that's seven months.

Mr. Minister, on behalf of the many seniors who have contacted myself and this caucus, and on behalf of their families, I ask you today, will you reconsider this fee increase, and will you stop trying to pay for your deficit out of the pension incomes of seniors in Saskatchewan?

Some Hon. Members: Hear, hear!

Hon. Mr. McLeod: Once again, Mr. Speaker, I appreciate, frankly, the chance to explain this to the member who has had it explained to him many times.

It won't matter so much, but, Mr. Speaker, the seniors of Saskatchewan who understand this well, that when the fee was first set, the common fee in nursing homes for special care level 3 and 4 was first set back in about 1981, it was set at 86 per cent. You need to have some type of a bench-mark, some type of a focal point, some type of a point of reference to do this. It was set at 86 per cent of the maximum benefits available to the person most in need, that person who receives old age security, guaranteed income supplement, and the Saskatchewan income plan -- those three programs. You take 86 per cent, and that's what was done in 1981, about 86 per cent of that benefit.

And, Mr. Speaker, the number that will be charged, 596 on the 1st of November, represents that same percentage. In other words, Mr. Speaker, that same reference point, that same proportion to the benefits that are coming to the people most in need of those nursing homes is intact and remains as it was in 1981 when we were not the government, Mr. Speaker, when they were the government.

It's a reasonable number to charge, Mr. Speaker, and it stands a very important test -- the test of fairness. It withstands that test very, very well.

Some Hon. Members: Hear, hear!

#### Guaranteed Income Supplement

Mr. Calvert: New question, Mr. Speaker, to the same minister. Mr. Minister, you are correct, you have some explaining to do to the people of Saskatchewan.

Some Hon. Members: Hear, hear!

Mr. Calvert: Mr. Minister, will you then explain this. Since your government took office, the guaranteed income supplement from the federal government which Ottawa pays to the poorest of our senior citizens has been increased 53 per cent. But every time Ottawa increased the GIS, your government has stepped in and taken it away, penny for penny.

So, Mr. Minister, will you explain how you can justify taking every little bit of extra income to

Saskatchewan seniors in nursing homes while you still have money, as were indicated this week, to spend millions on paid television political ads?

Hon. Mr. McLeod: Mr. Speaker, as I have explained to the member, the circumstance surrounding this has not changed, whether it was their government or our government. In terms you must have a point of reference at which . . . and it's a fair and reasonable point of reference.

Mr. Speaker, the disposable income for people, the disposable income, minimum disposable income for people in nursing homes, level 3 and 4, is in the order of \$103 per month. Now, Mr. Speaker, let's remember which citizens of this province we're talking about here. These are people in the heaviest of care, level 3 or 4, that care, the cost of which ranges -- depending on the home that they're in -- but range from 2,000 to \$3,000 per bed per month -- per bed, 2 to \$3,000. And the cost, as the member has said, will be, on November 1, \$596.

Mr. Speaker, the Government of Saskatchewan, through this department, recognizing the needs of those people, is paying 70 per cent or thereabouts of the costs of those residents living in those nursing homes, and while at the same time leaving them a disposal income, a fair and reasonable disposable income of \$103. I will recall, Mr. Speaker, when they were in power it was \$65 when they set this in place -- \$65 disposable income for those folks. It's \$103 as of November 1.

Some Hon. Members: Hear, hear!

## GOVERNMENT ORDERS

### COMMITTEE OF FINANCE

#### Consolidated Fund Budgetary Expenditure The Local Government Board Ordinary Expenditure - Vote 22

#### Item 1 (continued)

Mr. Van Mulligen: Thank you, Mr. Chairman. I just want to deal with the question of capital debt. One of the consequences of the elimination of the provincial capital fund and the holding the line, as it were, or even the reduction in the urban assistance and other transfer payments to municipalities, is that municipalities will have to borrow more to undertake their capital projects. In fact, this is a direction that you have advocated. I'm wondering whether the minister can advise us as to whether or not there has been any discernible trend so far this year in terms of increased borrowing by municipalities.

Hon. Mr. Klein: Mr. Chairman, last year the total borrowings were in the area of 64 million. To date in 1987, or at least till October 1, total borrowings are 39 million. So it appears that the municipalities have followed the lead of the government, have scrutinized their priorities, have redeveloped or redesigned or had a new look at some of their priorities, because if this trend continues, it would even be lower than last year.

Mr. Van Mulligen: Well it sounds to me then like a number of capital projects are being cut back -- either that or they're getting some windfall through lotteries or somewhere else, Mr. Minister. But I just want to point to the example of the city of Saskatoon, where it was reported in the Star-Phoenix on October 6 that the city of Saskatoon's debentures had increased from 1986 . . . an estimate of \$59.5 million to a 1987 estimate of in excess of \$67 million, which would be the single-largest gross debt on the part of the city since 1982, which is the first year for which we have figures. I'm wondering, is that then an isolated example of increased debenture borrowing?

Hon. Mr. Klein: Mr. Chairman, I'm advised that in the case of Saskatoon they did have an unusually large, one single debenture in the area of \$9 million that covered an accumulation of capital expenditures -- not the least of which was included in the new bridge.

Mr. Van Mulligen: Did that debenture program also extend to 1986, Mr. Minister? I note that the outstanding net debt per capita for Saskatoon, which had decreased since the '70s, early '70s, after the introduction of capital programs and so on, capital funds in 1986 saw a sharp increase from the previous year of 1985. And as I indicated earlier, they are estimating another sharp increase in 1987.

Did that particular project then extend over two years, or did they have, again, unusual borrowing requirements in '86?

Hon. Mr. Klein: Mr. Chairman, the member is correct. They did have unusually large borrowings. They have had three major projects there, very well known to all of us -- the arena, which was a great deal of money; the bridge; and the water treatment plan, all done within a reasonably short period of time. As a result, it's understandable that their requirements would be there in one big swoop.

Mr. Van Mulligen: Just one further question on this, Mr. Minister. Would it be your intention to monitor more closely now the per capita municipal debt in the various municipalities throughout Saskatchewan in the coming years.

In view of the fact that the capital fund has been discontinued, there are further curtailments in revenues to urban municipalities. One of the consequences of that is that municipalities will have to borrow more to provide for the financing of necessary capital projects. But in borrowing more, they will of necessity incur higher debts, and they will have higher debts per capita.

Would it be your intention to monitor the total amount of borrowing, the debenture program, with a view to making sure that we do not get into a situation where there will be excessive borrowing?

Hon. Mr. Klein: Well, Mr. Chairman, so far the indications aren't there. They aren't borrowing more. I just explained the numbers, and it appears as though the local governments who have been managing their affairs extremely well over the last few years are continuing to do so. They all recognize the restraint that was upon all of us. This time around, they've done a very good job with money management.

And I think as far as the Local Government Board is concerned, we always do a good thorough job and will continue to do so.

Mr. Van Mulligen: I'm pleased by those assurances, Mr. Minister. My concern is not so much this year, because my sense is that a number of municipalities will have cut back on capital projects and therefore that does not represent additional borrowing for them.

But the problems may well come the next year or two, that if your government continues to insist that it will not provide capital funding for municipalities, in order for them to undertake necessary capital projects they will have to borrow more. And there is a sense of concern that this may create a problem for some municipalities in the future.

This is the same kind of situation that we had in the 1930s and resulted in financial problems for a number of municipalities. You will know, Mr. Minister, that there used to be a limit on the amount of borrowing that a municipality could undertake. It was limited to a percentage of their total assessment. And I stand to be corrected on that, but it is my impression that there was that limit. That limit no longer exists, and it's a question now of the Local Government Board monitoring the situation in each community.

But I am wondering whether you have given any special direction to that board with a view to ensuring that there will not be any municipalities getting into trouble as a result of the discontinuation of capital funding and as a result of not having a set limit on borrowing for municipalities.

Hon. Mr. Klein: Mr. Chairman, I really don't share the pessimistic outlook of my colleague opposite. The local governments are doing a good job. They obviously have set their own priorities. I don't believe that by the deferrals of some projects or re-planning of others they've encountered or experienced any difficulties. They are looking forward to perhaps a new program coming into place from our government.

As always the Local government Board have monitored the municipalities, and will continue to monitor the municipalities. Hopefully there will be no change from the norm and things will progress as normally, with the exception that everybody is just have a look -- a relook at what they had on their drawing boards.

Mr. Van Mulligen: I have no further questions, but I just want to thank the minister for his answers and to thank his officials for attending here today and to helping him out with the questions that were asked. Thank you.

Item 1 agreed to.

Vote 22 agreed to.

Supplementary Estimates 1987  
Consolidated Fund Budgetary Expenditure  
The Local Government Board  
Ordinary Expenditure - Vote 22

Item 1 agreed to.

Vote 22 agreed to.

Supplementary Estimates 1988  
Consolidated Fund Budgetary Expenditure  
The Local Government Board  
Ordinary Expenditure - Vote 22

Mr. Chairman: Any questions?

Hon. Mr. Klein: I would just like to thank the two young ladies who helped me so admirably during the questions. Obviously my colleague across has had a wealth of practical experience from his side of the coin in this area. He asked very good questions. I think that our professional civil servants again displayed their thorough knowledge and working ability of this department. And as time goes by, there is no question that things will continue to improve, and thank you very much.

(1445)

Supplementary Estimates 1987  
Consolidated Fund Budgetary Expenditure  
Local Government Finance Commission  
Ordinary Expenditure - Vote 52

Item 1

Mr. Van Mulligen: I don't have the supps with me, but I just want to ask the minister: with respect to the Local Government Finance Commission report, can he advise just the specifics of the review process that he has set up? And I would assume this to be in conjunction with other ministers because this is something that cuts across a number of departments.

Can he advise the House, and can he now advise urban municipalities, and other local governments, just which officials are involved in the review process -- and I assume there to be a review committee; and which official heads that up? And is there a responsible minister for the ongoing review, then, of the recommendations of the Local Government Finance Commission report?

Hon. Mr. Klein: Yes, Mr. Chairman, as I think I mentioned earlier in our remarks, the Local Government Finance Commission report is complete. That's why the budget shows what it does of zero, and I think that the member brought this into the conversation in the LGB (Local Government Board). But as I did mention, the Minister of Finance will be the lead agency on the total review of the finance commission report. It was authorized through that department, and that's where the direction will come from. But it will be done in consultation with the main players that the finance report deals with.

Mr. Van Mulligen: Can you advise me, then, Mr. Minister, who is heading up the review committee, if you like, on the part of the government that will, in fact, be examining all of the

recommendations of the Local Government Finance Commission with a view to implementing those recommendations. Who is the lead official in the process?

Hon. Mr. Klein: It's all under the direction of the Minister of Finance.

Mr. Van Mulligen: Am I to assume then that the minister himself has taken personal responsibility for this review process, that there's no single official that will be assisting him in this undertaking?

Hon. Mr. Klein: I don't know what officials he has appointed to assist him in his review. I can tell you that my department officials are involved in it whenever they're called in for some discussion or clarification. And the discussions are continuing, and it's just under his direction, I suppose.

Mr. Van Mulligen: Could you advise me, Mr. Minister, of what kinds of meetings have been held, what kinds of discussions have taken place with respect to implementing the recommendations of the LGFC (Local Government Finance Commission)? Is this a structured process that you and your officials participate in?

Hon. Mr. Klein: Well, Mr. Chairman, I know that at the ministerial level we have discussed the local government finance report on various occasions. We acknowledge the fact that it was a very deep and detailed work, the result of which is a thick manuscript. We recognize that although there have, in some instance, been some definitive recommendations, in others there were a lot of grey areas left over.

Some various members of the public and other interest groups have expressed disappointment in it. I have not. It simply outlines to me and strengthens the fact that what all of these experts that came from all over, came up with at the end of a very, very in depth study was that the whole issue of municipal finance and taxation is extremely complex. And if there was an area that they could not agree on or could not come up with a recommendation, rather than classify it as a failure, I think that all it is, is a warning that it is a severe, complex issue, and it needs more study.

Mr. Van Mulligen: Can you advise, Mr. Minister, just how local governments in the province, and others who may have an interest, may be able to participate in this review that your government is now undertaking with respect to the recommendations of that report?

Hon. Mr. Klein: Well there was a lot of reaction originally from the interest groups, and I can speak with SUMA (Saskatchewan Urban Municipalities Association) when the results first arrived on the scene, and after which they just seemed to lose a little bit of interest. It's not the topic of discussion, or it's not been the topic of discussion in my realm for a long, long time.

And I can tell you that as we are ready to perhaps implement some of the recommendations that may appear in there, as is always the practice of our government, we will consult with those interest groups.

Mr. Van Mulligen: Mr. Minister, I want to refer you to a quote by the Premier of September 27, 1984, at which time I understand that the formation of the Local Government Finance Commission was announced. And the Premier said:

When you hand in your report, we won't just reject them in some private room of government (he said). We'll discuss them honestly and openly. What recommendations we can implement, we will, and for the ones we can't, we'll tell you why we can't.

What prevents you today, Mr. Minister, from telling local government, and particularly urban government, as to what recommendations you will implement, and for the ones that you can't, why you can't?

Hon. Mr. Klein: Well our review is not yet complete, and I think that as we proceeded through questions in Local Government Board, for example, where you asked me about several of the recommendations, I indicated exactly what was happening there.

I don't think it's a matter of being black and white in a lot of the answers. What the Premier said is exactly right. What the Premier said is exactly what is happening. What the Premier said is exactly what will happen.

Mr. Van Mulligen: Just a very specific question: is there a deadline for the completion of this review on the part of your government and when we might expect a final response from the government as to the recommendations in that report?

Hon. Mr. Klein: I suppose that that is the direct question and that would really clear up the issue. No, we did not impose a deadline on when to deal with that report.

Mr. Van Mulligen: Mr. Minister, I fear that this report may be gathering dust more than it's gathering learned discussion and learned debate within the councils of government.

I have no further comment to make except to say that I strongly urge you to become intimately familiar with the recommendations of that report, to study those recommendations, and to begin the process of implementing those recommendations, many of which do make a great deal of sense for urban municipalities in Saskatchewan. And I would encourage you to do that.

Item 1 agreed to.

Vote 52 agreed to.

Consolidated Fund Budgetary Expenditure  
Urban Affairs  
Ordinary Expenditure - Vote 24

Hon. Mr. Klein: Yes, thank you, Mr. Chairman. To my right, Dave Innes, the deputy minister; to his right, Keith Schneider, the assistant deputy minister; and behind me is Don Harazny, director of administrative services; behind my deputy is Rick Kilarski, the manager of revenue sharing, municipal finance; and we have two other officials in the back chairs, Henry McCutcheon, the executive director of community planning, and Gerry Stinson, our director of northern municipal services.



Item 1

Mr. Van Mulligen: Mr. Chairman, I would just want to say very briefly that it would be my intention to ask questions on a number of topics including the matter of property taxes in Saskatchewan; the question of the business tax; issues related to revenue sharing and capital funding, as well as some other matters.

But before I do that, I have a number of standard questions concerning such matters as travel, personal staff, advertising, consulting studies, and the like. I have these questions in writing, and I wonder: may I send these across to the minister and assume that your officials will respond to all these questions in writing in the next two to three weeks unless some specific objection can be raised before we finish the estimates of your department?

Hon. Mr. Klein: I'd be glad to receive those questions and review them and see if we can respond as per your request. Failing that, I would respond to them verbally after I have the opportunity to look at them.

Mr. Van Mulligen: Thank you, Mr. Minister. Again I would just say that before we finish the estimates, if there are specific objections, please raise them, and we can debate them at that time. I will assume that if that be the case, and I will assume that you will in fact respond in writing, unless you do raise specific objections.

Mr. Minister, I want to raise the question of whether, in your opinion, there is too much reliance on the property tax or whether there is potential for the property tax to be used to a greater extent?

Hon. Mr. Klein: Your question in my mind is only a half a question. And I think that if you were to complete it, then I could respond a little bit clearer for you.

Mr. Van Mulligen: Well the question again, Mr. Minister, is whether, in your opinion, there is either too much reliance on the property tax or whether there is potential for the property tax to be used to a greater extent as a means of financing urban government?

Hon. Mr. Klein: Well now that you've added that part to it and you're talking about urban government, I suppose the only way that I can relate on behalf of urban government is the fact that I am a taxpayer in my home and have been for a number of years. And if that is their main source of income, then I suppose they would operate as efficiently as they can within the parameters of the funding that they can raise on property taxes.

Mr. Van Mulligen: Mr. Minister, I wonder if you might answer that question from the perspective of being the Minister of Urban Affairs who obviously has some influence in terms of being able to direct revenues towards local government, as opposed to the perspective of an individual home owner?

Hon. Mr. Klein: Mr. Chairman, I think that perhaps what the member opposite is leading up to is whether the provincial government should be contributing more to the operation of local

governments. And if that's what he is getting at, I think that my response, fairly, would have to be that being that we really don't have the control over the expenditures of local governments, because we believe in autonomy, that therefore if the local governments are going to control their expenditures more or less on their own, then obviously they have to rely on their own resources for a form of revenue to offset those expenditures. I don't believe that they can necessarily lean on the provincial or the federal government as a continued or increased source of revenues for things that they may or may not want to accomplish at their own local levels.

Mr. Van Mulligen: Mr. Minister, the Local Government Finance Commission final report indicated, and you may wish to correct me if I'm wrong in reporting to you what the commission says, but they indicate that taking into account the effect of tax credits and rebates, Saskatchewan's net property taxes per capita amounted to \$598.13 which was 16.3 per cent higher than the Canadian average. And they indicate that net property taxes per capita in Saskatchewan are the third highest in Canada. Are you satisfied with that situation?

Hon. Mr. Klein: Well, I think I'd have to go a step beyond that. I've been a lifelong resident of Regina, having lived here for some 48 years. And as I grew up and became a taxpayer . . .

An Hon. Member: Gosh, you look older than that Jack.

Hon. Mr. Klein: I'm not older than that but I've been around for a long time in this my home city.

And I'm very proud of my home city save one thing -- continually Regina has been the highest taxed city almost in Canada. And I don't believe that it's a fault of the local administration. I'm not so sure that you can even pin the administration on the era that the member opposite was in it. But what I am saying is that over the years, and the years that I have been paying taxes in Regina -- these high, high rates of taxes -- unfortunately there has not been one administration that has really looked and analysed at the tax structure to the citizens of Regina.

(1500)

And I feel very badly about that, for the reasons that I've mentioned, along with all of the other people that I grew up with in this city that have been paying those high taxes. And I believe that in a lot of other municipal communities these very things have been done and have been recognized, and each municipality having its own problems and each one thereby necessitating somehow to increase their sources of revenue.

But you get to the point where a taxpayer can say, I can't afford any more. And I believe that at that time, and I'll again refer to my city, the one that I'm most familiar with, now they have completed a study that even indicates within their own administration where they are capable of saving money. So perhaps this council in Regina is making the first honest attempt at really looking at the tax structure of the city of Regina for its citizens.

Mr. Van Mulligen: Mr. Chairman, I think the minister is a bit confused. When I read to him the statements from the Local Government Finance Commission report, these were figures for the province as a whole and not just the city of Regina. And I wonder if the minister might have a

response on whether he's satisfied with the situation where generally municipalities, or property taxpayers in Saskatchewan, are paying the third highest property taxes or net property taxes in Canada. It's not just a question of the city of Regina, but for all property taxpayers in Saskatchewan.

Hon. Mr. Klein: Well, if you're suggesting for a moment that the provincial government is supposed to do something with all of the municipalities to reduce the rates for all of the taxpayers, I would suggest then that in the 11 years of the prior administration nothing was done for the taxpayer.

Mr. Van Mulligen: Mr. Minister, I want to disagree with you. I've been talking about net property taxation, that is to say property taxation from which you might deduct any grants or other transfers, such as the property improvement grant which was in place, so as to reduce the net burden of the property taxpayer.

Again, in the report it's indicated that for the 1968 to '85 period the reliance on the property tax was higher in Saskatchewan compared to Canada as a whole, for 1968 to '73 inclusive, and in 1982 and subsequent years. Between 1974 to 1981 inclusive the relative reliance was lower in Saskatchewan than in Canada as a whole. So we seem to see a bit of a difference here between the years 1973 to 1982, and then again from 1982 to the present where it seems that the reliance on the property tax was far less than is now the case.

Again I want to ask you: are you satisfied with the situation where the net property taxation level, on a per capita basis in Saskatchewan, is the third highest in Canada? Are you satisfied to have it stay that way?

Hon. Mr. Klein: I think, Mr. Chairman, that you have to look -- and if we're going to get into that debate we're going to be here an awful long time. The obvious admission that you would like me to give you, and I will, is that we eliminated the property improvement grant. Clearly that, then, affected those figures that you're talking about. And I don't deny that we did that.

However, you have to consider then: what did we do? Two areas that don't reflect on those figures that would have massive input and reduction into those numbers -- two only that I will name -- there would be probably dozens of others, but the main two: the senior citizens' heritage grant, which is not included in those figures, which amounts to some \$70 million, which would certainly affect that significantly; as well as, Mr. Chairman, our new home improvement program which we have chosen, rather than to include it into a set of property tax figures, which is what the hon. member is referring to, but rather transpose that into economic development, which is no question what has occurred.

And as a result of the 6 or \$700 million of economic activity that is being enjoyed by the business community throughout the province, a couple of things happened tax-wise that don't appear in those figures as well. There is income tax earned and paid by the employees. There's income tax earned and paid by the small business, and there are the spin-off benefits that go around and around and around, as you would very well know economically, and the spin-off benefits are not included in those.

So if we're going to get into a rationalization of numbers like that, we'll be here for a long time

because for every one that you would like to bring up, I would like to bring up the other one, the other side of the coin.

Mr. Van Mulligen: Well, Mr. Minister, if the government-induced economic activity is somehow to be taken as a reason or an excuse that property taxes should stay at their high level, and that this was not something that was enjoyed in the 1970s, might I just remind you that the 1970s did see unprecedented economic activity in this province.

I want to ask you, Mr. Minister, do you agree or disagree, or what is your viewpoint on the following statements from The Local Government Finance Commission report?

One:

The property tax is insensitive to changes in the capacity of the property owner to pay those taxes at a particular point in time.

Secondly:

At the lower end of the income scale, the property tax tends to be regressive because a higher proportion of the incomes of low-income earners usually go towards the payment of property taxes than for higher-income earners.

Hon. Mr. Klein: Well, Mr. Chairman, two or three or four things. Neither was the home program enjoyed by the people of this province in the 70s. By the member's own admittance they enjoyed a buoyant economy in the 70's. I would ask then why the government of the day chose to cut off capital funding in the 70's, when by his own admittance times were good?

And as it relates to the comments in the finance report. All I can say is that it makes eminent sense, I suppose, that the low income earner pays a higher percentage of his income towards taxes because his home would be a modest home.

When you consider, however, the value of the modest home versus the value of somebody with a larger home, and you add the cost of money, whether mortgaged or whether not mortgaged -- I've answered this to you before -- and when you add that in, then the balance tips the other way. I mean, it can't work any other way. And if you're suggesting then for a moment that the property tax should be based on some form of income, then I would suspect that we should really be talking to the municipalities and not talking to the government.

Mr. Van Mulligen: I wasn't suggesting that, Mr. Minister. I was simply asking for your opinions on a couple of statements in that report. You still haven't offered that, and you seem to be hedging.

I want to just throw out a brief example, and I've used this one before. Mr. Minister, you live in a fairly substantial house as befits a person in your position. Your property taxes this year are \$2,320.16. Your income from government this year is approximately \$68,000. You may have additional income, I'm not aware of that. Your property taxes represent 3.4 per cent of the known income.

I have an elderly widow who lives in my constituency; she lives in a very modest home in one of the poorer areas in the city. Her property taxes this year for this modest home, on a minimum lot, are \$712.81. Her income, including pensions and the senior citizens' heritage grant -- all the income that she has -- is \$12,000 this year. Her property taxes represent 5.9 per cent of her income.

Mr. Minister, do you not agree that the property tax is in effect a regressive tax because a higher proportion of the incomes of low income earners usually go towards the payment of property taxes than is the case for higher earners?

Hon. Mr. Klein: Well as I said, Mr. Chairman, I'm prepared to debate this all day.

First of all, you could take the senior citizens' heritage grant and offset it against her taxes, and her taxes would be zero. If you wanted to do that, then she'd have no property tax.

But let's compare the same elderly lady that you're talking to with my home, which you have used in public several times before, and I have no quarrel with that. I only wish that you wouldn't have put in the address because we've got enough problems . . . (inaudible interjection). . . Well it was in Hansard. But in any event, that doesn't matter.

But just using that example is precisely what I'm talking about. I would have to assume, because a member of my family is in exactly the same position, and with her home just recently being sold valued at \$30,000, and mine -- probably a difference of about \$120,000 in value. The property tax structure or the percentages that you want to refer to, I don't have any problem with. Let's do that. We'll use your figures as being exact.

But now mine . . . the difference in value of my home and hers even at 8 per cent financing, if that were available, Mr. Chairman, would amount to an additional 13 per cent of my income to offset my property and taxes. And they go hand in glove whether you like to admit it, because all mortgages for instance, most sales in the real estate industry, all payments are based always on principal, interest and taxes. So therefore the cost of money becomes included in those figures, and if you can't afford a big house, you're not going to have big taxes. You're going to buy a smaller house; you're going to have smaller taxes -- all still related to your income. So that if you add the 13 per cent to mine, to my taxes which might only be the three or four, whatever you're talking about, all of a sudden I have the cost of money and taxes and I'm looking at 17 per cent while this lady is looking at five. I think that's more than fair.

Mr. Van Mulligen: Well I thank the minister for his own particular unique analysis of property taxation and the regressive nature of the tax. He is one of the few to hold the opinion that he has just offered. It's generally conceded that the property tax is a regressive tax. And where the minister talks about spending 13 or 14 per cent of his income for principal, interest and taxes, the norm for most people with lower incomes would be in the area of 25 to 30 per cent, so I'm not sure what the minister is driving at. But I want to ask him whether or not, sir, you agree or whether you disagree with the major thrust of the Local Government Finance Commission which was to reduce the net level of property taxation in Saskatchewan below the Canadian average.

Hon. Mr. Klein: Well first of all, to clear up one thing, Mr. Chairman, I didn't include the principal in the cost of my home. I think I was very explicit in talking about the cost of money and the taxes - that 13 per cent.

I recognize that when somebody buys a house, it's 26 per cent to 30 per cent of their income for PIT, but I was just talking about interest and taxes. The same comparison that he used exactly. It's plain, simple logic that all people can understand -- cost of taxes, cost of money, very simple. But I can tell you this, Mr. Chairman, if you want to reduce the figures and the numbers that the member is referring to, there are lots of seniors, even in . . . and particularly perhaps in that member's seat of Regina Victoria, that appreciate the senior citizens' heritage grant, that could effectively take that money, the same as the property improvement grant -- what's in a name? I suppose you could call it the seniors' heritage property grant, if you liked -- what's in a name -- and apply it directly to their property tax payments. Apply that same \$70 million that we have given to only our seniors, against their taxes, and the figures that you're talking about would become totally redundant.

Mr. Van Mulligen: Mr. Minister, no matter which shell you put the pea under, it all turns out the same. As I indicated to you earlier, this particular widow does receive the maximum grant. And you compute that as her income and you look at her taxes, and it still works out to a much greater percentage of her income going towards paying for her property taxes than is the case with you and your income and your particular dwelling.

Mr. Minister, we do have this situation in that we do have the third highest level of net property taxation in Canada, or do you dispute that? Do you disagree with the Local Government Finance Commission on that finding?

(1515)

Hon. Mr. Klein: Mr. Chairman, as I have tried to outline for the past 15 or 20 minutes, I don't dispute the figures the way they're set out in the book. I dispute the overall impact as a result of the various programs that we have in other areas that are not chalked off to the property tax scenario.

Mr. Van Mulligen: Would you venture an opinion, Mr. Minister, as to why we have this situation of a relatively high level of property taxation in Saskatchewan now?

Hon. Mr. Klein: I believe, Mr. Chairman, that I've covered that off as well. I could repeat it all, but if you took all of these senior citizens' heritage grants, if you took all the moneys into the home program, and rolled them into the property tax dollars, as you could very well do, then your figures would become redundant.

Mr. Van Mulligen: Well I'm now beginning to wonder, Mr. Minister, why you would have spent hundreds of thousands of dollars on a Local Government Finance Commission report if everything that they've done is in fact redundant. It seems somewhat of a sham for them to go through this exhaustive analysis and then for you to say, well, none of that matters and none of their conclusions matter.

Mr. Minister, you indicated earlier that it was in your opinion -- and I paraphrase you -- that when I

asked you about the general tax load in Saskatchewan, you talked about the city of Regina, and the tax load was high and it was incumbent on the local council and local administration to do something about that. Is this an opinion that you hold generally of municipalities in Saskatchewan?

Hon. Mr. Klein: Mr. Chairman, I think, by and large, the rapport that I have established over the last year with SUMA and its representatives, working perhaps more closely than ever with local government than I have in the past, has clearly indicated to me in a lot of areas throughout the province -- because I do hold the ministerial portfolio for the province, not just simply alone for the city of Regina -- earlier in my remarks I was referring to my only experiences paying taxes, which is in the city of Regina because I've been a lifelong resident here.

But I can tell you that the local government administrations over the past four years have done very, very well in scrutinizing their budgets, spending their money efficiently, spending their money effectively, and still looking at ways to continue to improve that. They recognize that it's going to be an ongoing battle. They recognize that our province, when it comes to having money, doesn't have any. They understand the reason why we don't have any.

So that they recognize that they're going to have to do as best as they can do within the confines of their own government to establish those taxes, and establish them fairly, and spend the money wisely. And I believe that they're doing that very, very well.

Getting back for a moment, Mr. Chairman, and I don't want the member to put remarks in my mouth, I spoke very, very highly of the Local Government Finance report and I always did, and I have never held it in disregard. And I have indicated on many, many occasions, publicly and in this House, that that report was very exhaustive, indeed very complicated, and I am not at all disappointed in the results and findings.

But having said that, because of the depth of that study, to believe that you can just arbitrarily go through it and accept it verbatim and implement the massive decisions that those findings are, is just totally absurd.

Mr. Van Mulligen: Well, Mr. Minister, I don't think that I could ever be accused of putting words in your mouth. You seem to concur with the finance commission report on at least one thing, and that is that municipalities are doing a good job of holding the line.

If that is the case and it's your opinion -- and I share your opinion -- that municipalities, by and large, generally speaking, are doing an excellent job in terms of providing good services on the one hand, and keeping property tax increases down to a reasonable level on the other hand, they're doing a good job of that particular juggling act, again I want to ask you: how is it then that we have the third-highest level of property . . . net property taxation in Canada? If in fact municipalities are doing the job, and I think that they are, what is the answer here? Why do we have that situation?

Hon. Mr. Klein: Again, Mr. Chairman, I have to unfortunately repeat myself, and that is simply because the figures that the member chooses to use included dollars that are expended by this government in different ways. And rather than in relating them to tax reductions, they're now related to economic activity.

And I suppose that one could argue this all day: which is the best? If you want to clear up those figures and reduce the total tax burden expenditures or improve it in relationship to the rest of Canada somehow, then maybe you get that body to arbitrarily accept the fact that these dollars are, in fact, a reflection of tax reduction, and then that would clear up your situation for you. I can't explain it any simpler, I can't explain it any clearer.

Mr. Van Mulligen: I don't think that people take economic activity in which not everyone participates to an equal extent as somehow a *raison d'être* or some reason for them to believe it's, in fact, a property tax reduction, Mr. Minister.

I want to ask you how, in your opinion, cutting back on revenue transfers to urban municipalities helps the situation we find ourselves in.

Hon. Mr. Klein: Well I think that clearly when we were able to hold the line on our revenue-sharing situation to a minus one, overall, when SUMA (Saskatchewan Urban Municipalities Association) knows full well that we were looking necessarily at an amount quite higher than that, that they were indeed satisfied that it was only a 1 per cent reduction to the total pool.

As a matter of fact, in private discussions with a lot of mayors and aldermen throughout the province, they have told me that it has really caused them to sit up and take notice, and that perhaps their local municipalities shouldn't be quite so dependent on revenue sharing as they have in the past. Because when our revenues are decreased as dramatically as they have through forces well beyond the control of us as a provincial government, then they recognize that as a result of that, when we limited our reductions to minus one, they appreciated that.

And they've gone back. Some communities this year, for instance, were even able to reduce their mill rates. And to those officials, I have to send out hearty bouquets, that they were in fact able to reduce their mill rates in this last year.

Mr. Van Mulligen: What you're saying then, notwithstanding what you said earlier, the problem then lies with the individual municipalities, and it's up to them to cut expenditures and to keep the property taxes down. It's not a responsibility of yours.

Hon. Mr. Klein: It's not a direct responsibility of ours, no.

Mr. Van Mulligen: That's a very bold admission, and I thank you for that, Mr. Minister, because it illustrates a very fundamental difference, and a very basic disagreement that you and I will have. It's our feeling that the property tax is not a fair tax. It is a regressive tax.

That is an opinion that not just members of this side of the House hold, but is an opinion held by many that are active in the field of taxation and taxation policy. It's our opinion that the property tax burden in Saskatchewan should be reduced. We feel that net property tax levels should move below the Canadian average as opposed to the situation we have now where it's well above the Canadian average and where we are now the third highest in Canada. We think that that is a backwards way to go because of their regressive nature.



it's not often, Mr. Minister, that I agree with . . . it's not often that I agree with things that the Saskatchewan chamber of commerce has to say, but I look at their legislative report of March 3, 1987, and in commenting on the fact that municipalities have been warned not to expect any increase in their operating grants -- in fact now we know there was something less than that -- they say:

It simply means the province is transferring some of the deficit from the provincial coffers to those of the municipal governments. However, municipal governments have fewer resources from which to obtain funds. It has meant that many of them will have to cut some services and still go to the people with a tax increase.

Now there may be the odd situation where municipalities have been able to reduce mill rates because of uniquely local situations, but, Mr. Minister, there's just no doubt in my mind that your reduction in revenue-sharing, in addition to other cuts which are far more massive, in revenue transfers to local municipalities, has meant that you're transferring the tax burden from the provincial government to local property taxpayers. And again, I want to ask you: is that a desirable direction, from your point of view?

Hon. Mr. Klein: Mr. Chairman, if we have a philosophical difference in this area and in this arena regarding urban municipalities, I believe that it just surfaced.

We believe totally in autonomy at the local board and the local municipality. If . . . are you suggesting for a moment that the provincial government become involved in all of the expenditures of all of the municipalities in this province? I mean, that's incredible to even give that any iota of thought. And the only way that we could become involved in that is to take away their autonomy and to place them within the provincial controls, totally and absolutely, with all their expenditures. And I doubt that there is one single member of SUMA that would want that.

The taxpayers of this province have every way that they want of dealing with their representatives, whether they're at the local level or whether they're at the provincial level. Certainly you and I, and all the other mayors that are elected by the taxpayer, are here to do the jobs. And if you would suggest for a moment that that is the way that your part would handle taxes, is by running every single urban municipality in this province, I don't know what would happen.

What we are saying, and those cuts were not massive and SUMA recognizes that, understandably they're disappointed that we couldn't maintain a zero level or give them some increase. Why wouldn't they be disappointed? It's only human nature to keep asking for more.

But having recognized the situation that we in the provincial government are in, they again went back to their communities and had a look and did a very, very good job at what they were able to do. They asked us on the revenue sharing to go back to formula, recognizing how it would impact on various communities with the population changes. And we did that, and they appreciated it.

And through consultation we came up with a safety net that everybody, at least under the circumstances, was happy with. yet recognizing those communities that were entitled to increases

because of population changes, they received those increases. And I think that it was a fair and equitable distribution system, and it was done in consultation with these communities who have the total autonomy that they want. They don't want more government control; they want less government control. And we happen to believe in that.

They have gone back -- and it's not a matter of cutting services, as you say, but a matter of more effective delivery of their services. And that's what they're now starting to look at.

Mr. Van Mulligen: Mr. Minister, you're dragging out so many red herrings it's beginning to stink up the place.

People who are watching this can draw their own conclusions. And the people that are reading the record will draw their own conclusions about what it is that I said. I want to make it clear for you, Mr. Minister, that to have an objective of reducing the net property tax burden in Saskatchewan to one that is below the Canadian average does not necessarily translate into any loss of autonomy for local governments. I do not believe that there was any less autonomy for local government in 1986 than there was in 1987 by virtue of the fact of your cutting back on provincial government revenue transfers to municipalities.

(1530)

If you somehow perversely conclude that to increase revenue transfers to urban municipalities necessarily results in a loss of autonomy, then I think that you should go back to gain some further insights and understanding of local government and how it works in this province.

My feeling is that to ensure that local councils have adequate revenues with which to provide their services will enhance their autonomy, not lessen their autonomy. It's a very difficult situation for many urban municipalities to be faced with the cuts that they have been faced with and to continue to provide effective services for their property taxpayers and for their citizens.

For you to somehow suggest that this is a welcome thing, that this is a step in the right direction, I would have to say that I disagree, Mr. Minister -- disagree totally.

At this point I believe my colleague, the member for Moose Jaw North, has some questions.

Mr. Hagel: Thank you, Mr. Chairman. Mr. Minister, actually I don't have questions: I just have a single question that I wanted to present to you. It's really a follow-up from a request that I made to the Minister of Social Services in those estimates and for which he expressed support and also referred me to your department and to you, I would presume.

The issue was simply this, Mr. Minister. The home improvement program has not been extended to make group homes for the mentally handicapped eligible to take advantage of the \$1,500 matching grant for home improvements. And without getting into a long explanation, that would be a privilege that would be especially meaningful to those who operate group homes for mentally handicapped, all of the homes of which, by the way, have permanent residents in them. And the Minister of Social Services had expressed support for that concept and said that he would follow

that up.

And I'm simply asking if he has communicated that to you, and if you've had an opportunity to consider it, or perhaps if you have made a decision in that regard, Mr. minister.

Hon. Mr. Klein: Yes, although that home improvement program should have been brought up when Sask Housing was here, I will acknowledge your question.

Yes, the minister has brought it to my attention. And I can't recall yet if we have made a definitive decision on it yet. It was a good concept, and the minister is talking to us and our officials are examining it right now. It's fraught with danger, and I can't recall the specific problems that my officials at Sask Housing presented me with on it now.

But I don't have any problem with you and I having a discussion in private about it, and I could provide you with that information on it. And certainly, if you disagree with us, you would have every opportunity during question period for further elaboration on it.

Mr. Hagel: Well, Mr. Minister, perhaps that would be true. And I simply would ask for your information that it's my estimation that there are about 80 such homes in the province of Saskatchewan, and would encourage you to approve that and would welcome an opportunity to discuss this privately, if you feel that that would be advantage in support of those people in those homes. Thank you.

Hon. Mr. Klein: Yes, I thank you for the question, and we'll get together on it.

Mr. Shillington: Thank you very much, Mr. Chairman. I wanted to raise with you, Mr. Minister, the issue of the health department in the city of Regina. And I refer to an article of August 21, '87, in which, due to cuts in funding, Dr. Pat Hutchison, medical health officer, said there's no money to fill three vacant positions -- a native community health worker, a mosquito monitoring officer, and a district public health nurse.

I'm not quite so familiar with the mosquito monitoring officer; those other two health officers are badly needed, and the public health in this city will degenerate if those positions aren't filled. And I wonder, Mr. Minister, if you or your officials have had any discussion with the city health department in an effort to remedy what I think is a serious problem.

Hon. Mr. Klein: Mr. Chairman, once again we're kind of off in the wrong department here. That is a health estimate question, but I will provide you with the information that I know on it.

And this matter was brought to our attention through the office of the mayor of the city of Regina. At that time, we initiated discussions between our department and the Department of Health, along with myself and the Minister of Health. And I don't know what the final outcome is or where it sits, and we acknowledge the situation that exists.

And I think that that's the only explanation that I can offer you, because it is a levy, and as a result it doesn't get involved in our department estimates.

Mr. Shillington: Okay. I take it, though, discussions are ongoing between your department, health, and the city health department. Is that right?

Hon. Mr. Klein: We have completed our discussions with the Department of Health, and it's my understanding now that the Department of Health . . . I don't know whether they've concluded their discussions with the department of health of the city of Regina, or whether they're still in discussion, because we lost track of it after it went to where it rightfully belongs.

Mr. Shillington: I would hope you would use any influence you have, Mr. Minister, to . . . And I don't quantify that influence. But I'd hope, Mr. Minister, that you'd use any influence you have to remedy this problem.

The public health nurses employed by the municipalities are becoming a serious problem.

The other day I was driving from somewhere to somewhere -- I don't remember where -- and I heard a bit on the radio. The situation in Estevan with the public health nurses, the last one's leaving in a week or so. There has not been pre-natal classes for some time. The last one who was there was trying to keep up with inoculations, and that won't be done. The deterioration in the public health offices in municipalities is a serious problem. Those services that are provided are essential.

And I would hope, Mr. Minister, you'd do whatever you can to see that the municipalities are given enough money to run their public health departments because they're an essential element in good public health in this province. And I just . . . you've had some comments from the Minister of Health, and perhaps you have some light to shed on it, Mr. Minister.

Hon. Mr. Klein: Yes, my colleague, the Minister of Health, has indicated to me that discussions are ongoing in this particular situation. They are trying to address the situation. They are in contact with Regina and with Estevan, and hopefully they will come to some conclusion.

Mr. Shillington: I'll leave it at this point, Minister, by saying it's a sorry day when, whatever our politics, we can't afford to put on pre-natal classes in this province. That's a sorry day, Mr. Minister . . .

An Hon. Member: That's not the case, by the way.

Mr. Shillington: Well Minister of Health is lending us every assistance in wrapping this up.

I say to you, Mr. Minister, and through you to the very useful Minister of Health, that it was reported on a national radio network that there are now no pre-natal classes, and have not been for some time, in Estevan. I don't know what particular services have been cut in the city of Regina. I do know some of the officials in that department; they work darn hard. And if there's two positions that are . . . three positions that are vacant, then there are public health services not being provided, and that's a darn poor expenditure of money. I've always felt that \$1 spent in public health will save you \$10 under the medicare system. So I just make that comment.

Mr. Minister, the city of Regina had a proposal for levying a gas tax. And in this day and age, Mr. Minister, when so-called supply side economics have brought -- and deficit budgeting, in massive ways by major countries, and by countries large and small -- have brought serious problems to our attention, I wonder why you would have discouraged the city of Regina from proceeding with that kind of a tax if, in the view of the city fathers, and mothers, I guess, and the city aldermen, the . . . Some of this language that we once used, one has to be careful of these days, the city councillors. If, in the view of the city councillors, that's an appropriate way to raise revenue, I don't see why, Mr. Minister, you felt it necessary to take such a paternalistic attitude. Why not let them tax the gas? If that's not what the public and the city want, they can vote the councillors out of office.

I was a little surprised, Mr. Minister, when you or your predecessor in office -- I'm not sure which -- reacted so strongly to that proposal.

Hon. Mr. Klein: Mr. Chairman, first of all, to finish off my Health debate. Lots of things are reported by the media that sometimes are not quite accurate.

An Hon. Member: I believe everything I read. I believe everything I read in the media, Jack.

Hon. Mr. Klein: Well don't believe everything you read.

I can only repeat that the Minister of Health is convinced, and he is aware and is working on any difficulties that may exist. So suffice to say that.

With the area of providing municipalities the opportunity of assessing more or different or additional taxes, I think that's an area that you'd have to proceed with in real caution. Where it might apply in one municipality may not very well apply in 511 other urbans, and the like. You could very well have one community pitted against the other.

I know that it's the same in Economic Development, where you're trying to gain economic activity. And if you allow just a wide-open situation to occur, the next thing that would happen or could happen . . . and, you know, this is all hypothetical, and I don't really enjoy speaking in hypotheticals. But .. I am now, and I don't enjoy it. But I can tell you this, that as you allow them all of these various privileges that at any given time they start competing one against the other, and you could have a disaster out there. And I believe that we are best protecting the municipalities by being extremely cautious in allowing them the taxation privileges in other areas.

Mr. Shillington: Mr. Minister, I raise this subject, not out of any particular love for higher gas taxes, but the streets in the city of Regina and elsewhere in the province, but particularly in this city with its shifting soil, that heavy clay, are really becoming a very serious problem. I don't know of any statistics on it, but I'd venture to say that automotive bodies and automotive suspension systems give a lot more problem in Regina than they do in most Canadian cities. The streets in this city are getting to be a serious problem.

I applaud the city council for tackling the problem. For once they didn't come to you people with their hands out; they had their own solution. You did speak in hypothetical terms, and that was going to be my precise criticism of your comment, is that I recognize there are some taxes you

might not want a municipal government levy; we could all name them, but I don't understand why that applies to a gas tax -- a very simple thing to administer, relatively simple to check up and collect, and it strikes me that if that's what the municipality wants to do . . . and why you people get involved.

Let me suggest a reason, at the risk of being a little uncharitable, if I may . . .

An Hon. Member: If you're not going to get out of your hole, I'd better write the answer down.

Mr. Shillington: I'll give you lots of opportunity to answer. Let me be a little uncharitable. You don't want . . . you didn't want, at that point in time, which was before October of '86, you didn't want anybody levying a gas tax because it would be a reminder to the public of how ill-considered and irresponsible your whole approach to the fiscal affairs of this province are.

You cut some major taxes with no replacement in mind, and we're now beginning to see the deterioration in public services. You didn't -- you, Mr. Minister, didn't want the city of Regina levying a gas tax because it would have been a reminder to the public your initial campaign was very irresponsible, and your approach to fiscal affairs has been very irresponsible.

So I say, Mr. Minister, that I would hope that in the future you wouldn't let petty partisan concerns stand in the way of what I think was a responsible action by the municipal officials in Regina.

Hon. Mr. Klein: Mr. Chairman, now I can speak in factual terms . . . (inaudible interjection). . . Yes, that very resolution was brought forward at the SUMA convention and turned down.

(1545)

Mr. Van Mulligen: Thank you, Mr. Chairman.

I'd like to turn to the question of the business tax. I'd like to ask the minister: do you generally support the retention of the business tax as a means of financing local government, or do you favour an elimination of the business tax?

Hon. Mr. Klein: The business tax, Mr. Chairman, is by its very nature a problem that is very near and dear to my heart, that I have lived with for an awful long, long time. And once I entered the political arena, and in my past portfolio in small business, it was a tax that I hoped that I could address in that portfolio and come to some solution with.

It is a very complicated issue. I am now looking at it from a different set of glasses, I suppose is the best way to describe it. And the problem is very simple, or the solution is very simple, but not very practical. The municipalities, could indeed, if they chose, eliminate the business tax. But it has become an everyday fact of life with the municipalities, and it has become an integral part of their financing, an integral part of their income. So for them to dispense with this is a very costly item.

I suppose that they, in their wisdom, the mayor and aldermen could vote it out. And they'd have to transfer one of two things. They would have to look for an additional source of revenue. That

additional source of revenue would imply be to come to the senior government and say, give us the money, please, to replace this so we can eliminate it. But it's not the provincial government's tax, but rather it's a tax that exists there at the local level. And the only other way that they could do it would be to eliminate it from the business tax portion and put it out on a property tax to the local home owner.

So recognizing the difficulties, because neither is acceptable, hopefully we are now looking at it again, even the local finance report -- hopefully, I felt that they might be able to come up with some concrete solution, but even they couldn't -- but now, in co-operation with SUMA, yet another committee has been designed to study that very problem.

And I sincerely and honestly hope that our government soon will one day be able to help the municipalities in their problems and in their difficulties in establishing some form of answer to the nagging problem of business tax.

Mr. Van Mulligen: I thank the minister for that. I'm wondering, Mr. Minister, do you foresee an opportunity for the provincial government to deal with the question of lost revenues as a result of the reduction or the elimination of the business tax?

I sense from your answer, sir, that you agree entirely with the Minister of Finance who, on an earlier occasion, stated that if municipalities wanted to do away with the business tax, that was their problem, and their problem entirely, and it had nothing to do with the provincial government. It was his opinion that if municipalities were to eliminate the business tax, there would be such an increase in business investment and business development that the increased property taxation that would result from this increased business investment would more than make up for any lost revenues resulting from the elimination of the business tax.

Do you concur with the Minister of Finance's statement on that, that municipalities will in fact be ahead of the game should they eliminate the business tax?

Hon. Mr. Klein: Well I suppose that there are all kinds of solutions that could be put forward and different items to consider.

I think that, with all due respect, you're over-simplifying just a little bit what the Minister of Finance had to say. He is cognizant of the situation that exists, and he too is very aware of the problem. And I can tell you this: that although it is not really directly the provincial government's problem, we will not abdicate the position that we must, as senior government, working in co-operation with the local governments to address what has become a very, very serious situation.

Mr. Van Mulligen: Well, Mr. Minister, recognizing that the property tax level is already very high, and recognizing that local governments are already doing an excellent job in holding the line on local expenditures, would you not agree that it's high time that you begin to look for an alternative source of revenue to the business tax? That is to say, the provincial government should begin to look for an alternative source of revenue, as opposed to siding with the Minister of Finance, who seems to take the position it's a strictly local problem.

Hon. Mr. Klein: Well I think again, rather than making an arbitrary decision, now that SUMA is becoming involved in the situation, hopefully they're going to be able to supply us with some information and some answers.

I think even the business community recognizes that in an awful lot of municipalities they do provide additional services to the business community. And although the business community would like to see it take off totally . . . Why wouldn't they? Why wouldn't you ask for everything? They might be willing to mediate to some different stance and recognize that some facilities may or may not be provided at the local level by the local government.

But, you know, day after day in here I keep hearing, Mr. Chairman, well, you know, replace this \$35 million. Where do we get the revenues from? Let the municipalities continue their spending totally unchecked, which we . . . We don't want to impede their spending. We don't want to get involved in their expenditures. They are autonomous; let them be responsible for their expenditures. So the only way you can is harnessing your revenue-sharing, and yet he's suggesting that we should keep increasing it. And if you keep increasing here and increasing there and all the rest of it, where do we as provincial government get the dollars from?

On another hand, you say you're cutting this, you're cutting this, you're cutting this, and you use the same old rhetoric as a solution. You believe that all of the money -- or you're trying to convince the people of Saskatchewan -- that all of this money that we're short here and short there, and all the rest of it, goes to banks and oil companies. Well that's garbage. It doesn't got here. And even if you were partly right, even if you were partly right and we accepted part of that argument -- which we can't accept -- where do you get the additional funds?

I mean, let's be factual about it. We would like to do as much as we can in all of the areas that you have any opposition to. But how do you do it? And where do you magically . . . we don't have a money tree. So you've got to get your revenues from somewhere. And when our resource sector that this province is so highly connected to fall from a revenue of 32 per cent to 12 -- those revenues gone through no fault of our own. We don't control the world price of potash or the world price of grain or the world price of oil, no. and yet we're dependant on all that. So what does it tell us?

It tells us very, very clearly that we must diversify the economy of the province of Saskatchewan. And that's what we are attempting to do because if we have any degree of success -- and we will because we are builders -- then as those revenues from those diversified situations occur, hopefully it will replace the resource sector dollars that are not there now.

Mr. Van Mulligen: Well, I thank the minister for all his questions. I'd rather think though that the people of Saskatchewan are looking for some answers, Mr. Minister.

Mr. Minister, I'm pleased to see that SUMA is providing some leadership in the question of the business tax, although I sincerely question how effective SUMA can be on that particular question, given the fact that we're talking about, I would estimate, \$40 million in revenue, totally, throughout the province. SUMA itself does not have any access to revenues. Municipalities have no increased access to revenues or access to alternate revenue sources. And the predicament that you outlined earlier, and I agree with, as to where the alternative revenues are to come from, if it's strictly left up



to municipalities, it still stands.

The question I want to ask you, sir, is: what leadership are you personally providing in this matter? What representations are you making to try and reduce or eliminate this business tax?

Hon. Mr. Klein: Well as a result of my travels around this province over the last five years, I believe that, at least in my small way, I have shown the business community of this province that I am concerned with their problem. And I think that they believe me in that regard, and I think that they accept my sincerity. And I believe now that in my consultation with SUMA (Saskatchewan Urban Municipalities Association) and as we ask them how we tackle this very serious problem, they have responded by participating with a committee, formation of a committee, to look into this very problem.

I believe that I have indicated to them some form of leadership. Now you may not choose to accept that, but I'd be prepared to put it to the test and discuss with the interest groups whether we're doing that or not. The people of Saskatchewan are intelligent people, and they will judge the discussions that go on in this Assembly and elsewhere, as you mentioned in earlier remarks.

People of Saskatchewan are also very frugal. We know this, they're savers -- highest per capita savings in the country, of any province. And we also know one other thing, and why they're on our side -- because the people of this province are builders.

Mr. Van Mulligen: Well I'm pleased to see that you've been going around the province and oozing concern these last five years, Mr. Minister. I guess it really hasn't done anything because we've still got the problem before us, and you haven't done anything about it.

Mr. Minister, I'm going to assume now, and as all municipalities will, that the business tax is going to remain with us. You've had your opportunity to display some leadership. You haven't done anything, and it looks like it's here to stay, at least with your government.

I want to ask you then: in light of the fact that it will stay, and in light of the fact that there have been many questions about the various types of assessments that might be employed as a basis for exacting the business tax, do you agree with the Local Government Finance Commission in their recommendation that Saskatchewan implement the percentage of real property assessment method for business assessments?

Hon. Mr. Klein: A couple or three areas of concern before we leave the topic of business tax and my leadership and sincerity about the problem. The same way that the member from Regina Victoria chose to check out my tax structure and my resident. I chose to look at his record while he served on the Regina city council, particularly as it related to the business tax.

Mr. Chairman, let me tell you this: in 1981 there was over a 20 per cent increase in the business tax while he sat on council. In 1982, over 15 per cent increase in the business tax while you, sir, were on the city council. In 1983, an increase of almost 10 per cent, again while you were serving on that council. By the time you were done in your term -- five years, or six -- the business tax in Regina doubled. I ask you about your sincerity now about addressing a very serious problem of business

tax.

So getting back to your question now, we have done a couple of things. First of all you've failed to recognize one serious thing: I hold in very high regard the Saskatchewan Urban Municipalities Association and the advice that this association gives me because, Mr. Chairman, they in fact represent municipalities around the province.

As the member knows, or maybe he's not aware of, SUMA withdrew from the Local Government Finance Commission report. As a result they are studying that on their own. So as a result, Mr. Chairman, I now have two areas that I have to watch, listen to, study, analyse, and determine what's best. On one hand we have the Local Government Finance Commission report, and on the other hand we have SUMA.

(1600)

The matter of assessment, we have dealt with. We have established an independent party, Mr. Chairman -- Saskatchewan Assessment Management Agency -- that is totally removed from government, that now sits recognizing the role of reassessment and the future of the assessment roles, guided in total by a board of directors.

That board of directors is comprised of appointees from SUMA and SARM (Saskatchewan Association of Rural Municipalities). This time, Mr. Chairman, I would even like to recognize in the gallery a member of the board of directors of Saskatchewan assessment municipality, Alderman Joe McKeown from Regina, who sits on that very assessment role.

Some Hon. Members: Hear, hear!

Hon. Mr. Klein: A very serious problem that that board and that group will have to determine; hopefully they'll be able to address the situation of assessments.

Mr. Van Mulligen: I just want to ask you: do you agree that we should go to the percentage of real property assessment method of business assessments?

Hon. Mr. Klein: Well, Mr. Chairman, with a member of the board here. I hope that he considers your opinion, as I will.

Mr. Van Mulligen: Mr. Chairman, I'd just like to put on the record a few comments with respect to the business tax.

I think that it's clear to all concerned that there is little justification for the business tax as it's now structured in the province of Saskatchewan. There is little or no relationship between taxes that are paid and to services that are provided to business. It's not a fair tax. It's generally conceded that the business tax bears little or no relationship to a business's cash flow or their profits for the year.

It's our position that that business tax should be phased out or the impact mitigated. And when we say that it's our position, we believe that the provincial government must take a direct hand in that.

One cannot say, we believe the business tax should be done away with, and then point to local governments and say, well it's your responsibility and your problem.

That's not the kind of leadership that we would advocate in this matter, as you and your Finance minister seem to be advocating.

We do not favour a general transfer of revenue burden to property taxpayers to make up for the shortfall of revenues that might be sure to come as a result of reducing or eliminating that business tax. It's our feeling that the provincial government has access to far more sources of revenue on this matter, provincial government leadership is required -- no less than that.

Provincial government leadership is required in this matter, and it means that the provincial government must begin to make some tough choices about where its priorities lie. For the ministers to say that, well, where are the revenues going to come from? -- that is the question, Mr. Minister. You spend your money in many and wondrous ways, and any one of those many and wondrous ways might be examined with a view to providing, then, the revenue so as to ensure that this unfair regressive tax can in fact be eliminated or phased out.

I want to turn, Mr. Chairman, to the question of revenue sharing. Urban revenue-sharing payments are, to a very great extent, comprised of unconditional per capita grant and a foundation or equalization grant. The Local Government Finance Commission states that the purpose of the foundation grant is to provide a greater degree of equality among the more wealthy and less wealthy municipalities of comparable population in terms of their ability to provide a reasonable level of municipal services at reasonable local tax rates.

Does the minister agree with this objective? Does he agree there are wide variations in the local fiscal capabilities of urban municipalities, and that revenue sharing must have the effect of equalizing the overall fiscal capability of municipalities?

Hon. Mr. Klein: Mr. Chairman, before he asked that question he issued quite a statement relative to business tax that I believe I would like to clear up.

If that member thinks for one moment that anyone will believe that rhetoric that he said on business tax, he's sadly mistaken. His personal record on business tax is very, very clear -- very clear. The past government's record is doubly clear. In this very Assembly, Mr. Chairman, sat the mayor of the city of Regina, all the while the business tax was on, and they did nothing -- absolutely nothing -- to improve or to disregard or to cancel or anything . . .

An Hon. Member: Or eliminate.

Hon. Mr. Klein: Or eliminate. Thank you, the member from Rosemont. Your ex-government of the day did nothing to eliminate the business tax. And now for them to stand in this Assembly and say that we should magically come up with something, when my critic opposite and one of his former colleagues, the mayor of the city of Regina, who sat in this Assembly with the government of the day, refused -- refused -- to do that issue, and the business taxes doubled in their city, I find it unbelievable.

To answer your question simply, yes, basically I support it, and it does exist in our programs.

Mr. Van Mulligen: If I just might turn back to the business tax as well, Mr. Minister, I just want to say that all the rhetoric that you're throwing out about my record on Regina city council reads like the campaign statements of the Tory candidate that I ran against in the last election, Metro Rybchuk, and who was soundly defeated -- soundly defeated -- because those arguments didn't get very far with the people of Regina Victoria.

I agree with you, Mr. Minister, that this was not addressed by the government in the 1970s, but neither was it very much an issue of concern in the 1970s. But let's recognize now that we're in 1987 and rapidly approaching 1988. If you're taking the position that because the government in the 1970s did nothing to eliminate the business tax, and therefore that provides you with the rationale for not now doing anything about it, even though businesses are saying that we want the business tax reduced or eliminated, then I would submit that you are taking a position that two wrongs make a right.

And I do not subscribe to that simplistic logic, Mr. Minister. I believe that there is a problem with the business tax. I believe that it must be addressed, and it must be addressed by the provincial government, and particularly it must be addressed by you as the minister responsible.

Mr. Minister, since you agree that revenue sharing should have the purpose of reducing the wide variations in the local fiscal capabilities of municipalities, can you explain how a 2 per cent cut in urban revenue sharing promotes equalization?

Hon. Mr. Klein: Mr. Chairman, I can't help get off that business tax. Why didn't you, sir, and the NDP government of the day, address the business tax? And you simply allowed that monster to grow and grow and grow, and tax increase after business tax increase after business tax increase -- and I know, because I paid them, as did other members of the business community. And you did nothing about them. Zero. And now magically you want us to undo and come up with 40 millions of dollars that the municipalities became dependent on.

We're trying to address the situation; we're not burying our heads in the sand. And hopefully, with the help of SUMA, we will address it and undo the decades of damage that were done prior.

The formula -- with the advice of SUMA, we retained the formula intact because that's what they wanted to see.

Mr. Van Mulligen: Let me get this straight now. SUMA asked you for a 1 per cent reduction in revenue sharing?

Hon. Mr. Klein: SUMA asked us to put the formula back into place.

Mr. Van Mulligen: I asked you how a 2 per cent cut in revenue sharing promotes equalization. I would refer you to the comment of the Local Government Finance Commission where they say:

In short, the commission has concluded that there are insufficient moneys in the urban revenue-sharing pool in order to bring about full equalization in a practical way.

Since they took the position that there were not enough funds at that time to achieve full equalization, how does a 1 per cent cut in revenue sharing help you to meet your objective of promoting equalization?

Hon. Mr. Klein: Mr. Chairman, I repeat a couple of things again. SUMA was not a part of that Local Government Finance report. That's number one. But SUMA did want to retain the equalization formula, and they asked us to go back to it, which we did. That has nothing to do with the size of the pool.

Mr. Van Mulligen: SUMA went through an elaborate analysis, Mr. Minister. Am I to assume then that you agree or disagree with their analysis?

They indicated very clearly that in order for there to be full equalization there had to be increases in the urban revenue-sharing pool and that the situation, as it stood at that time, did not provide for full equalization. yet you say that you agree with equalization. Now how do you coincide those two widely divergent positions?

Hon. Mr. Klein: I repeat, Mr. Chairman, I said that I basically agree with the principle of equalization. And the word "basically" was used. And when SUMA, who is my major player, asked us to return to the equalization formula, we did.

But we pointed out that under the restraint that we had of the day, that we would have to do that with a 1 per cent reduction of the revenue-sharing pool. And I pointed it out at that time that it could have been even more dramatic than that. But fortunately we were able to keep it only to minus one.

And with their help, that equalization formula was even expanded on by bringing in the safety net to ensure that municipalities would not lose more than 6 per cent in the revenue-sharing pool because even SUMA recognized that it had a dramatic impact.

So with their help and through consultation, we came up with a revenue-sharing formula based on equalization that was acceptable to the players. Now the size of the pool, being 1 per cent smaller, certainly, no, they weren't pleased and happy and got out and carried banners. And as I mentioned earlier, why should they. But I can tell you this, that in private, several did come up and say that, well 1 per cent. Even in my own city council I had members say that they could trim their budget like that if they had to.

Mr. Van Mulligen: Is the relative percentage of the foundation grant, as compared to the per capita grant, greater or smaller this year as compared to last year?

Hon. Mr. Klein: It was retained intact at SUMA's request and the ratio did not change.

Mr. Van Mulligen: I want to ask you how that promotes equalization. In light of the comments of

the Local Government Finance Commission I haven't heard you disagree with their analysis.

They've indicated that one way to achieve equalization would be to reduce the per capita grants and to increase the foundation grant even if the total amount of money stays the same. They've advocated a different course, and that is an increase to the revenue-sharing pool and primarily an increase to the foundation grant, and that is how you achieve equalization. They've indicated that if the matter stays as it is -- and now you're confirming that -- that it stayed the same as it is, that the relative percentages are the same, yet you've cut the total amount across the board. I want to ask you how that promotes equalization.

(1615)

Hon. Mr. Klein: Mr. Chairman, I know that the member from Regina Victoria was invited to attend the SUMA regional conferences, and it's interesting to see and hear now . . . And I wonder if you explained to SUMA that you disagree with their position and that you rather lean on that report -- the Local Government Finance Commission report which you asked us questions earlier on -- and said why aren't we implementing all those changes, and why aren't we going along with it, knowing full well while you attended those SUMA conferences that SUMA was not a participant in that report. I want to listen to SUMA, and I will take the time to study the report.

Mr. Van Mulligen: I know that SUMA supports equalization, Mr. Minister. They've indicated in their brief to cabinet that there had to be a recognition that revenue sharing was not only a provincial to municipal sharing, but also a municipal to municipal sharing. Yet I see you dodging, ducking, shifting, but refusing to address the basic inconsistency in the statements that you make.

It is generally conceded that if the revenue-sharing pool stays the same or is reduced, and the relative percentages of the grants, per capita and foundation stay the same -- and you've indicated they've stayed the same -- that we have, in effect, a situation where full equalization does not exist. There are ways to deal with that -- there are ways to deal with that. You've chosen to do none of those things.

I want to ask you again: how are you promoting full equalization to respect the fact that there are very different fiscal capabilities between municipalities in this province? That we have poor municipalities and that we have richer municipalities and that one of the intentions of this revenue-sharing pool and the foundation grant was to ensure that those kinds of disparities were ended, and ended once and for all. What are you doing?

Hon. Mr. Klein: Just so that I can get this straight, Mr. Chairman, I want to ask the member to clarify a point here for me. Are you suggesting that we move money from per capita to equalization?

Mr. Van Mulligen: I'm not, Mr. Minister, because I don't believe that that's in keeping with the broad philosophy of revenue sharing. What I'm asking you is: what are you doing to promote equalization?

Hon. Mr. Klein: Well again, Mr. Chairman, I suppose this -- and this would be the easiest way for

the member to understand it -- the report indicates to maintain the per capita grant and increase the equalization component of the formula.

I suppose that if you were to increase the size of the revenue-sharing pool, that would work. However when we had to have a decrease, and this was necessary, if we went to that situation it would produce utter chaos in the equalization formula that exists and our support by maintenance equalization, by maintaining equalization, is in the existing formula, which we had to do because we had to reduce the overall size of the pool. And what was suggested there would not work in any way, shape or form.

Mr. Van Mulligen: What you're saying then is that in fact you're maintaining the status quo, that nothing you have done has been to promote further equalization; that you're satisfied with the status quo, that you concur that there are wide differences between municipalities in this province and you're satisfied to see them remain that way.

Hon. Mr. Klein: Mr. Chairman, again, in consultation with SUMA 40 per cent of the funds was paid out under equalization. And that's what SUMA wants us to maintain.

Mr. Van Mulligen: Mr. Chairman, I'd like to turn to the distribution formula. I'm pleased to see that you have reintroduced the distribution formula for the revenue-sharing payments this year. For a number of years, I believe starting in 1982 or '83, it was your government, the PC government, that ignored both changes in population and in local tax bases and preferred to make across-the-board adjustments to revenue-sharing payments based on 1981 census figures. These across-the-board adjustments, ultimately create major distortions, as we saw so graphically illustrated this year.

Can the minister advise what steps he is taking to prevent these types of problems in the future?

Hon. Mr. Klein: Yes, the member is right. But now we're back to the formula, that's what we've done at SUMA's request. And it's based on population and equalization. The other years -- it's true what you say -- the formula was disregarded and the same amount of moneys were just paid out year after year as what they had received in prior years. It seemed for a while the municipalities were pleased with that because they knew what they were receiving and it was the same funding that they had received in the year prior. Now they wanted to go back to the formula. We succumbed to their request and did that.

Mr. Van Mulligen: I thank you for reiterating what I've just said, but I now ask you to answer my question. What steps are you taking to avoid this kind of problem in the future?

Hon. Mr. Klein: I did answer, Mr. Chairman. We're going back to the formula.

Mr. Van Mulligen: Well how do you propose to deal with the question of population counts then? Do you take the position that you'll continue to rely on the latest census figures, the 1986 census figures, as a means of determining the per capita grants that should be paid out? Or do you have some other method in mind for providing for more frequent, if not annual, population counts?

Hon. Mr. Klein: Mr. Chairman, historically, the prior government included, uses the Canada

Census figures which come out every five years, so that the equalization or distribution formula is subject to that situation and scenario. SUMA have now asked us if there would be some method that we could put in that would be an alternate to the census change. And again, we are exploring those avenues, because if we can improve the existing formula, certainly we'd like to do that.

Mr. Van Mulligen: The city of Saskatoon, Mr. Minister, advocates the use of SHSP (Saskatchewan hospital services plan) population counts as a means of updating urban population counts on an annual basis. At least that was the recommendation in a report that was considered by their council. Do you agree with their suggestion, and would you implement such a system?

Hon. Mr. Klein: I think that just to use that system is unfair for a couple of reasons. And we know factually now, I believe, that by using the SHSP numbers, there's a lot of people -- if the word to use might be considered transient or as a result of their postal address, it tends to discolour disproportionately the population of the smaller centres versus the larger centres because the people might have two homes or might very well be in one place and have their mail at another, or whatever. And it doesn't reflect a true, actual population count as a census does.

So having said, that, it doesn't rule out the possibility that that in combination with some other situation may work, and we're exploring all avenues.

Because if SUMA would like renew the population base more than every five years, which right now exists and has existed, as I mentioned, historically, surely we would like to improve that formula. But it's not an easy solution to come up with without an actual census taking.

Mr. Van Mulligen: I appreciate what you're saying, Mr. Minister, and I agree with you. And in fact I believe the SHSP figures are different than the Census Canada figures, but there is a consistent difference that runs throughout them. It's estimated by Census Canada that the SHSP figures are in fact consistently lower by a margin of 1 per cent.

Have your officials considered the possibility that we take Census Canada figures, the latest, as a base and then use SHSP projections as a means of tracking and estimating local populations? Recognizing that there is a consistent difference it should to a very large extent, I think, deal with the kinds of objections that are raised to using SHSP census figures per se, and without regard to any other population counts. Is this an avenue that your officials have explored, and is it something that you would entertain?

Hon. Mr. Klein: It's not only an avenue that we have explored, but are still exploring. And the key perhaps does lie in that and the SHSP figures might be the closest that we could get, having regard to how they might even change annually. But even if a mid-course correction were acceptable, or whatever, it might be better than waiting for the five-year term to expire. And you're right. But it is under active consideration now.

Mr. Van Mulligen: I want to briefly state that it is a significant problem. Across-the-board increases are one thing. Using census figures that are outdated tends to result in the same kind of problem because we're seeing some relatively massive shifts in population occur within Saskatchewan. And that has the very real effect of distorting revenue-sharing payments, and what should be received,



and what should be going to urban municipalities.

The latest figures by SHSP indicate that only half of Saskatchewan cities expanded in their population, with the other half contracting. The population living in towns fell by 0.4 per cent following two years of expansion. Of the towns in the province, 76 got smaller, 68 got bigger. The population of villages dipped for the third consecutive year, so I would suggest to you, Mr. Minister, that one way to avoid the kind of distortion that we saw this year when we brought the distribution formula back would be to make sure that we have accurate population counts and that those population counts be conducted, if not annually, then at least on a frequent basis so that those kinds of distortions do not present themselves again.

Might I ask you, Mr. Minister, what is your time line on this? When might we expect some report from you as to when a formula will be in place to determine population counts?

Hon. Mr. Klein: I believe that we would implement any improvement just as quickly as possible and just as soon as SUMA would agree to it.

Mr. Van Mulligen: Would that then be a number of weeks, months or years, Mr. Minister?

Hon. Mr. Klein: Yes.

Mr. Van Mulligen: I thank the minister for his specificity of his response. I can see that precision is his stock and trade, for the minister.

I want to turn to the question of the escalator. There seems to be, as you know, Mr. Minister, some considerable support for the reintroduction of an escalator index for the urban revenue-sharing pool. Can you advise if and when an escalator will be reintroduced?

(1630)

Hon. Mr. Klein: I apologize to the member. I didn't mean to be that way with your first response. It's very difficult to determine whether it will be a week or months or years. You know very well that the formula is dealt with annually, and certainly if we can come to some conclusion prior to the next budget with SUMA -- and we're opening up discussions with them now on the new budget -- if we can come up with something, we will. If failing that, and can't reach agreement, then it will have to wait until the next year. So I didn't mean to cut you off the way I did.

With regard to the escalator clause, those are things that we're discussing. I suppose that if the government were in a position to guarantee everybody incomes or revenues at all times, it would be nice to just simply say that. I cite, for example, the same escalator clause that existed in The Legislative Assembly Act for the members here, and 1982 we had to remove that. And the members that have sat here have been frozen at their salaries for the last five years. And then you start asking yourself, well how long can they be frozen?

And I suppose to some degree it's the same issue with the municipalities, so that you can put it in, and you don't put it in, and all the rest of it, and it's a very . . . it would be nice to provide that

guarantee, but then if you put that guarantee in and at any given time something happens or two things happen: one, you find yourself in the position that we're in, and you can't give them that guarantee, then you change it; conversely, if the good times came and we're in a position to share more, then why would you want to limit it because the escalator clause said you would?

So I think it's a very difficult thing. I think that if we can negotiate honestly and sincerely with SUMA, come to some agreement as we have in the past, and work in co-operation with each other as we are doing, and everybody and each one doing their very best under difficult times, then we'll all get along.

You know, I'm not about to become argumentative with SUMA, I'm not about to become argumentative with the members opposite, and I believe that we're just facing, presently, a very difficult situation. It would be nice if we didn't have to face these, I suppose.

Mr. Van Mulligen: Mr. Minister, if the escalator were in effect, say, for next year or even this year, that there would be additional revenue-sharing funds available or additional funds in the pool, than is now the case where you've cut it 1 per cent?

Hon. Mr. Klein: Mr. Chairman, I believe that we're . . . if we were in a position to help our municipalities more than we are able to help them at this point in time, we would love to be able to do that.

Mr. Van Mulligen: Mr. Minister, I just want to conclude that portion on the discussion of the escalator by emphasizing the fact that local governments, municipalities, are prepared to ride with the economy of this province when it comes to fluctuations in the urban revenue-sharing pool, and that if economic conditions mean that that pool will be decreased, they're prepared to live with that.

They would prefer to see that, they would prefer to see that than to have a situation, as we've seen in the last number of years, again with your government, where the escalator was just simply thrown out and there was a case of arbitrary decisions by the cabinet to increase, and in this case decrease, the size of the pool. Municipalities were saying: give us the independence, take us away from closed cabinet doors, let the escalator, let the economic indices indicate what the pool should be. We're prepared to live with that because we appreciate that kind of independence.

They also take the position that that would mean then, for a more complete partnership between the province and municipalities, to have a pool that's reflective of the economic conditions rather than the whims of cabinet.

I want to turn briefly to the question of the kinds of notice that is given to municipalities of changes in the grants that affect them. In a March 25, '87 release this year, in which you announced funding levels for municipalities, you state:

Our government has decided to provide early notification of these changes to urban governments to aid in finalization of their budgets.

That was a nice public relations gesture, Mr. Minister, even if it didn't have much practical meaning

for municipalities. A 1 per cent cut across the board, but it wasn't until a month later that specific figures were released to each municipality. A number of other cuts and tax increases weren't announced until urban municipalities, to a very great extent, had finalized their budgets.

And I want to ask you why you delayed these specific announcements, these later announcements. Why did you not provide some indication in March as to what the real cuts were going to be to municipalities so that they could get on sensibly with their budget planning process?

Hon. Mr. Klein: Mr. Chairman, I thank the member for that question, and I would like to, I suppose, give him an honest and sincere answer, and I hope he expects it, or accepts it as that.

About at that time, if you recall, the budget exercise was an extremely difficult one for this government to undertake. We had scrutinized every area of government, as was reported in the media. Department after department after department was told to go and reduce their expenditures by minus 25 per cent.

So I suppose that if SUMA wanted a response in March and insisted on that response in March, they would have had to have a minus 25 per cent in their revenue sharing. But I honestly felt as we went through budget discussions that we would be able to divert some of our scarce revenue funds into the municipal areas. And through negotiation and deliberations in cabinet, my colleagues saw fit that we could at the end of the day, at the time that the budget was completed, maintain the revenue sharing at only minus one. SUMA is aware of that. And although we recognize that it was very, very inconvenient to have those final figures for them at such a late date, I think that all in all, when they got the pleasant surprise that they did after how drastic it could have been, they were appreciative of the government's effort.

Mr. Van Mulligen: I don't know if pleasant is the right adjective in this context, Mr. Minister. An elimination of the provincial capital fund of \$16 million a year can hardly be called a pleasant surprise.

I want to ask you if you provided early notification this year, can you do it again? Recognizing that municipalities deal in a calendar year, given sort of normal circumstances of a provincial budget in late March, they will have already gone through three months of their fiscal year, spent money on that basis before they receive any news about a major revenue source -- and roughly 18 to 20 per cent, I understand. This is a sore point for many. I want to turn to some brief comments. The finance director for the city of Saskatoon told council:

A late budget creates headaches for municipalities and school boards dependent on provincial funding (he says) because they don't know how much provincial money to expect.

The president of SUMA, Don Abel:

It's most difficult for us to prepare budget papers without knowing what revenue we're getting from the government.

Regina Leader-Post, in an editorial:

Planning for the long-range target and for current municipal operations isn't helped by a tardy, still unknown provincial budget.

I want to ask you, assuming that we're going to be going back to a regular budget cycle next year -- and I assume that, I don't know that for sure -- but assuming that we go back to a regular budget cycle of roughly late March, would it be your intention next year, as this year, to at least provide some early notification -- that is to say, in January or February -- of what kinds of revenues municipalities might reasonably expect from the provincial government in that fiscal year to help them with their financial planning process?

Hon. Mr. Klein: Mr. Chairman, we have undertaken to deliver a commitment as early as possible. As a matter of fact, the minister and I -- the Finance minister and I -- are awaiting to meet with SUMA now and have been prepared to do that for some time, but SUMA have had their agenda to take care of recently. But the Minister of Finance and myself are prepared to meet with SUMA.

As a matter of fact, my officials have already concluded a trip to the northern municipalities and have discussed the revenue sharing and capital requirements of our northern communities. So discussions are well under way and we hope to deliver a commitment as soon as possible.

Mr. Van Mulligen: Can I assume then that you are of the position that you will, early in the next fiscal year -- that is, the municipal fiscal year -- give some clear indication to municipalities as to the types of and amount of grants that they can receive from your government in the upcoming budget?

Hon. Mr. Klein: Mr. Chairman, as I indicated, we hope to be in a position to do that just as soon as possible.

Mr. Brockelbank: Mr. Chairman, Mr. Minister, I have a couple of brief questions to the minister.

The first one deals with a request I made some time ago for information with regard to the space that the department gets from the Saskatchewan Property Management Corporation, and the minister, minister's assistant, indicated the information would be ready. The other had to do with consultants by the department, and I wonder if the minister has that information available.

Hon. Mr. Klein: Mr. Chairman, I'll ask the page to deliver these to the member. We have the '87-88 consultants as was requested by the member from Saskatoon Rosemont. And in regard with payments to the Saskatchewan Property Management Corporation, in keeping with the information that has been supplied by prior departments, I have the same information available for you.

Mr. Brockelbank: I'll thank the minister in advance for that information. And it is Saskatoon Westmount, Mr. Minister. Mr. Minister, I have requested some further information with regard to consultants, and it's in the letter that I sent you; it would be in July.

Hon. Mr. Klein: My officials advise me that what they supplied you with includes all of it.

Mr. Brockelbank: Well, Mr. Minister, just to refresh your memory, later I'll send across the request again, and you can have your officials look at it. But the information is not all here, and I'd appreciate receiving it in due course.

The second question I had, Mr. Chairman, has to do with the funds owing the municipality, the corporation of Saskatoon. And I'm relating right now, Mr. Minister, to an article that appeared in the Star-Phoenix October 27, '87, and it reads as follows:

City council no sooner complained Monday about \$3.4 million the province owes Saskatoon than it learned \$1.4 of it was already accounted for. The money was sent late last week, the city comptroller said.

(1645)

What I would like to request from you, Mr. Minister, for my enlightenment, is a schedule of the payments due to the city of Saskatoon that the comptroller would be referring to here: the interval when they're advanced; the date of the interval when they're usually advanced and how much is advanced in each instance; and the actual amount that was advanced in each case and the date in which it was advanced, so that I have a picture of the advancing of the financing to the city of Saskatoon that is due them.

Hon. Mr. Klein: Mr. Chairman, if the member from Saskatoon Westmount likes, I'll send you that information. I have no problem with that.

Mr. Brockelbank: Well if the minister wishes to put it on the record: the amounts due, the date due, and when it was advanced, and the amounts.

Hon. Mr. Klein: There is no need, Mr. Chairman, to read it into the record. I have no problem with sending you that information.

Mr. Brockelbank: I thank the minister for that.

Mr. Van Mulligen: I'd like to turn to the question of capital funding. Saskatchewan municipalities have a lower capital debt, on a per capita basis, than municipalities in all other provinces with the exception of Prince Edward Island. Do you view this as desirable?

Hon. Mr. Klein: Mr. Chairman, yes, I believe that it's great that our municipalities have a lower per capita debt than they do elsewhere.

Mr. Van Mulligen: Can I ask you sir, why you cut the provincial capital fund?

Hon. Mr. Klein: Well as I explained publicly many times, Mr. Chairman, it was a matter of budget restraints. And I'll bet in the 1970s when times were good, as the member from Regina Victoria indicated, the most surprised people on earth would have been the municipalities when the prior government chose to eliminate the capital fund in those good years.

Mr. Van Mulligen: Mr. Minister, you're not one for holding back on information. I don't know why. I guess you must have some political mischief in mind when you talk about the one year that the capital fund was not in effect, in 1979-80, but choose to ignore a number of other substantial increases which had a very desirable effect, not only for municipalities but for property taxpayers.

Yes, it's true, Mr. Minister, that the community capital fund, as it was then known, was cut and that -- or was not reintroduced for the year '79-80 -- represented approximately \$10 million. But by the same token the government of the day increased urban revenue sharing from 35.4 million to 45.4 million, for an increase of \$11 million. That's not something that you did this year, in fact, you cut the urban revenue sharing.

That was also the year that urban capital funding was increased from \$10 million to in excess of \$11 million. That was also the year that there was a very substantial increase in the property improvement grant from \$49 million to \$63 million, for an increase of \$13 million. The overall net effect, Mr. Minister, was an increase transfer from the provincial government to municipalities, and of property taxpayers in that year of \$15 million.

How you can take the position . . . how you can take the position and attempt to mislead the people of Saskatchewan that there is any similarity with the discontinuation of the provincial capital fund this year, and an absolute decrease in revenues to municipalities, and an absolute decrease in the kind of assistance for property taxpayers this year as compared to the year 1979 and 1980, simply eludes me.

Mr. Minister, I'd like to get back to the question. All municipal capital debt must ultimately be repaid by property taxpayers. There is a day of reckoning. You can't borrow and not pay it back. How do you justify increasing capital debt and the increase charged to property taxpayers when net property taxes are already the third highest in Canada?

Hon. Mr. Klein: Again, Mr. Chairman, I guess all I can say is that we wholeheartedly support local autonomy, and if the municipalities choose to go into debt, so be it. We discussed that in our LGB (Local Government Board) estimates.

And what you're just saying now is not the case. The municipalities aren't going into more debt, at least not so far. And I can't predict the future, nor can you. So I suppose all we can do is just watch and keep an eye on it. As I said in LGB we would, we'd monitor the situation and see what occurs.

Mr. Van Mulligen: I didn't ask you, Mr. Minister, if we accept that municipalities are not taking on greater debt at this point. We know that the provincial capital fund has been eliminated so that there are fewer dollars out there for municipalities which do finance capital projects. And if that does not result in increased debt, it seems to me that that results in decreased capital projects. Do you agree then that there are fewer capital projects taking place in Saskatchewan this year?

Hon. Mr. Klein: That's very difficult for us to assess. You know, I suppose some municipalities are deferring, some may be cancelling, some may be going into debt. And again, local autonomy will dictate what their requirements for capital are, whether they have to defer or whether they have to cancel or, indeed, whether they even put new items of capital spending on their array. We believe in

local autonomy; they can manage their own affairs.

Mr. Van Mulligen: I agree with you, Mr. Minister; they can do that, except that they're just a little bit less able now because they have fewer funds available to them to do the kinds of necessary projects that they must undertake in order to maintain municipal infrastructure. Do you not agree that there is a problem here that if municipalities cut back on necessary capital projects, that may have an undesirable effect for municipalities and their property taxpayers.

Hon. Mr. Klein: Well, Mr. Chairman, again I'll just repeat, I don't take the pessimistic attitude that the member from Regina Victoria does. I don't believe that the delay or deferral or whatever happened so far to the capital expenditures have caused anybody any great deal of anxiety. Certainly the municipalities aren't in an uproar over it. They all recognize what they had to do, and with their co-operation they've done a very, very good job. So we'll just have to determine in the future what happens.

Before I sit down, Mr. Chairman, the member from Saskatoon Westmount indicated that he hadn't received all the information he was looking for. He sent me a note. And I have now responded on your note, and I think this will complete with satisfaction what you were looking for. If not, I'd be glad to look into it further. But my officials have put the responses down for you, and I'd ask the page to deliver it to him, please.

Mr. Van Mulligen: Mr. Minister, there is a very direct relationship between provincial capital funds, or provincial funding for capital projects, and the total magnitude of capital projects undertaken by urban municipalities. There's a very direct relationship -- as provincial funding goes up, municipalities invest more in capital projects.

I am concerned, many municipalities are concerned, that because you have chosen to eliminate the capital fund, they are in a position of having to delay or otherwise do away with or even cancel necessary capital projects. Does this not evince some concern for you, sir?

Hon. Mr. Klein: Well you must be talking to different people than I do. Some have even told me that they appreciate the relief for one year, simply because when you have the capital funding there, and it's 50-cent dollars or whatever they might be looking at, it induces them to perhaps proceed with some capital expenditure that they may not really want or really need or something. But by the same token they don't want to turn down the bargain.

So as a result they don't have the inducement to go ahead and proceed with some unnecessary funding, and they appreciated the little bit of relief -- not all, because some projects still had to proceed. I'm not stupid.

But by the same token, there were a lot of areas where they said, well now we can go back and analyse these capital requirements and have a look at them and really prioritize them in the same way that you did at the provincial level, and proceeding with it along in that fashion. And hopefully, if our revenues increase again . . . you mentioned earlier that, you know, it was a one-year abstinence in the '70s, this could very well be a one-year abstinence in the '80s. And as I said, I'm always optimistic.

Mr. Van Mulligen: I just want to get it clear now. Your position is then that municipalities were relieved that the capital fund was eliminated?

Hon. Mr. Klein: Mr. Chairman, again he's trying to put words in my mouth, and he said he wouldn't do that. So I wish he wouldn't do that.

Clearly I indicated that there were more than several municipalities that indicated to me that they were pleased with the relief of not having an inducement to take care of. And as I admitted, I said that unquestionably there were others that saw the light differently. Understandably they would.

Mr. Van Mulligen: I just want to follow up on that. You indicated that these municipalities were relieved because then they didn't have to proceed with unwanted or unneeded projects. About 36 per cent of all capital projects are spent on transportation capital improvements, 32 per cent on utilities, 14 per cent on recreation and culture, and lesser amounts on other aspects of local government.

And I ask you, sir, in terms of provincial priorities, because let's accept for a fact that the elimination of the capital fund, or reducing capital funds for municipalities, will have an effect on the types of projects they undertake. Taking into account your elimination of that capital fund, why would you feel that that's appropriate? And given the necessary kinds of capital projects they do, why would you do that, and why would you then have money for a home program so that people could put in jacuzzis or pools? What's more important here? Is it roads or is it sidewalks, or is it jacuzzis and swimming pools?

Hon. Mr. Klein: Well I suppose if you want to get back into jacuzzis and pools and argue frivolously, I could tell you that that increases the tax base and they're going to get an additional source of revenue. So there's an indirect benefit to the municipality that I can think of just offhand, but I won't get into an argument on that basis.

What I am saying, however, is this: some of the capital that has not been expended by the municipalities because of the loss of this program, has been such things as new typewriters, as new little grey trucks which run all over the place, and as automobiles, and other things that they were able to defer very simply, that they appreciated the opportunity of missing out on the 50-cent dollars because they didn't have the other 50 cents.

Mr. Van Mulligen: Well, Mr. Minister, you know that cutting the capital project, or the program, is having more of a result than municipalities cutting back on the number of typewriters they purchase. It's also beginning to have some dire consequences for the kinds of money that they can put aside for necessary capital projects, whether it's roads in Saskatoon or some other aspect of infrastructure elsewhere. For you to take the position that somehow municipalities are relieved by the elimination of the program is simply too much.

I think that municipal leaders and property taxpayers for themselves can judge as to the priorities of this government, whether it's more important that the provincial government spend money so that people can have swimming pools and jacuzzis, or whether it's more important for the provincial



government to ensure that municipalities have the money so that they can provide for the necessary streets, roads, bridges, underground services and the like, so that they can have that sound infrastructure which is important to a municipality, and I might also say very important to the business of a municipality.

Mr. Minister, the Local Government Finance Commission recommended a new property capital fund with an initial level of \$30 per capita -- that's of course not something we saw this year. They also recommended that the new capital . . .

Mr. Chairman, Mr. Chairman, I wonder if you might call the member from Weyburn to order. I find it's very difficult to make points when this person incessantly chatters. He seems to have no respect for the rules of the House. If that's the kind of behaviour that he thinks is acceptable for the school children of this province, Mr. Chairman, I shudder to think that education is coming to.

Mr. Chairman: I would just ask . . . Order, order. Order. I would just like to ask all members to show some respect to those who are on their feet. But being near 5 o'clock, this committee stands recessed until 7 p.m.

The Assembly recessed until 7 p.m.