



STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

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STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

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Mr. Kevin Yates
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[The committee met at 15:00.]

The Chair: — Good afternoon committee members. Before we get to the estimates of the Finance ministry, there are a number of reports that are being tabled with the committee. These are the SGGF [Saskatchewan Government Growth Fund Ltd.] annual reports and also, I believe, SGI's [Saskatchewan Government Insurance] 2008 annual report. So those have been tabled with the committee.

**General Revenue Fund
Finance
Vote 18**

Subvote (FI01)

The Chair: — Today on our agenda as a committee we have the consideration of the estimates for Finance. This is vote 18 found on page 75 of the 2009-2010 Estimates book. Today we are joined by Minister Gantefer and his officials. And at this time I'd ask him to introduce his officials, and if he has an opening statement he can make it at this time.

Hon. Mr. Gantefer: — Thank you very much, Mr. Chair. It's my pleasure to introduce firstly the officials. To my left is Deputy Minister Doug Matthies. To his left is Joanne Brockman, the executive director, economic and fiscal policy branch. To my right is Kirk McGregor, the assistant deputy minister, taxation and intergovernmental affairs branch. Behind us is Margaret Johannsson, assistant deputy minister, revenue division; Darryl Kristjanson, acting assistant deputy minister, treasury board branch; Brent Hebert, director of administration, and Krista Baker from my office.

Mr. Chair, I'd be pleased to make some very brief remarks. I don't want to take time from the committee's deliberation in order to make remarks. I want to thank the committee and all the members for the opportunity to appear before the committee.

This is my second budget and the first one that we've actually had 12 months to work on. The results, I think, speak for themselves. In this budget we're able to move on most of the major outstanding promises we made in the 2007 campaign, including property tax reductions, municipal revenue sharing, and a maternal children's hospital in Saskatoon for the province of Saskatchewan.

I'm proud to have been able to bring down this particular budget, and I feel privileged to be able to serve the people of Saskatchewan as their Minister of Finance. I look forward to the discussions and the questions this afternoon.

The Chair: — Thank you, Minister. Again it's vote 18, Ministry of Finance, found on page 75, central management and services (FI01). Mr. Taylor.

Mr. Taylor: — Thank you very much, Mr. Chair, and welcome to the minister and to the officials from Finance. It's a pleasure to see you here today. I will open with a couple of questions related to capital, and then I will turn the floor back to my other colleagues who are here today for the remainder of the time

available.

One of the things that I noticed over my time in government, and since government of course, is that a lot of policy that exists within the Ministry of Finance, previously the Department of Finance, is consistent from one government to another. Accounting principles and practices generally don't change with a change in government. A simple question to start out because I don't mean to complicate this in any way, but in terms of the way that capital is expensed, has there been any change in the last two years with regards to expensing capital?

Hon. Mr. Gantefer: — No. I am told that there is not. We're consistent with the practices that have been in place.

Mr. Taylor: — Yes. I didn't think there had been any change in policy. I just need to confirm a couple of other things. In that case, in terms of, we'll use health capital because that's where I had my most recent experiences. Capital is often financed in increments over three-, four-, maybe even a five-year period of time. Money is expensed in the year in which it is spent. Is that correct?

Hon. Mr. Gantefer: — That's correct.

Mr. Taylor: — Okay. So when a capital project is initiated by government and provided with approvals, whether it's in health care or in education, a capital project is first financed on the basis of planning documents, and then dollars are brought forward in the second or third or fourth year to cover off costs of architects or construction or finally completion of expense. Is that correct?

Hon. Mr. Gantefer: — Well generally speaking it's correct, but there have been some notable exceptions that I could point out — the academic health sciences project as an example that has sort of spanned both governments. There was a lump sum capital investment by the previous administration. We also put in a lump sum of \$100 million so that it is progressing, but there have been these disbursements to third parties to complete major projects.

The booster shot as well, the idea was that to get into third party agencies and hands as quickly as possible so that it could have a stimulative effect. So the general rule is as you describe it; however I'd point out that there are exceptions to that practice in certain circumstances.

Mr. Taylor: — Now in the current budget — I don't have the figures in front of me — roughly \$40 million in health capital. That money is particularly designated for completion of the Humboldt hospital; beginning of the surgi centre here in Regina; Oliver Lodge, continuation of the funding for the Oliver Lodge project. There's also a couple of out years. There's a significant amount of money for health capital; it seems to be designated for '10-11 and some other health capital for '11-12.

Am I correct that none of the projects that are identified in those three years are financed in any sort of a lump sum way with payments to the health regions over and above that which will be expended in those particular years?

Hon. Mr. Gantfoer: — Again that's generally true. There is the funding in two lump sums commitment to the children's hospital of \$100 million each, and so that is again sort of more of a notable exception in that it doesn't provide for small initial amount that would fund the planning. It is two commitments, \$100 million each year, to that project.

Mr. Taylor: — And in the case of the children's hospital, the money isn't actually in health capital — is it? — in this budget. The money, the \$100 million for this year is noted elsewhere in the budget documents.

Hon. Mr. Gantfoer: — No. It's in health capital. It's \$100 million this year and 100 million next year, next budget year.

Mr. Taylor: — There must be two separate items there. Is there not? Again I don't have the documents in front of me. This isn't the essence of my question anyway, so we don't need to spend a great deal of time on it. But in terms of traditional projects, I'm simply getting at we're talking about a \$40 million commitment and then there's the children's hospital, two commitments.

Hon. Mr. Gantfoer: — On page 17 of the Estimates book, the member will note that there's \$152 million in this year's budget for health capital. That includes the \$100 million for the children's hospital; 19.8 for prior commitments to the Rawlco Centre, Humboldt, etc.; 12.5 for government-owned capital, a provincial laboratory; \$10 million for facility repair and maintenance; \$5 million for Regina Health Authority, IT [information technology] and EMS [emergency medical services] radios; \$5 million for Saskatchewan Health Information Network; and \$425,000 for two IT projects. Some of which is that \$152,941,000, which is listed on page 17 of the Estimates.

Mr. Taylor: — Thank you very much. I appreciate that. I think there is another page where it's itemized a little bit differently, but I appreciate that explanation. It's most helpful.

So therefore when we're talking about the Humboldt Hospital, for example, that's an incremental payment that's in this budget; or even the funds designated for Oliver Lodge, these are incremental payments. And these I'm assuming are based on regional health authority projections of expenditures required for the coming year.

Hon. Mr. Gantfoer: — We believe that's correct.

Mr. Taylor: — Thank you very much for that. So in previous years, prior to November 2007, there were some planning dollars advanced for Saskatchewan Hospital in North Battleford. They would have been accounted for in this practice of money to be expensed in a given year are being advanced to the regional health authority. Is that correct?

Hon. Mr. Gantfoer: — I believe that's correct. That was not our budget. It was the prior budget that was in place.

Mr. Taylor: — Again, what I'm just trying to confirm is that there's been no change in practice, and that indeed previous budgets contained expenditures that the regional health authority was indicating needed to be made on Saskatchewan Hospital, and that money was advanced to be expensed . . . or to

be accounted for in the year in which it was expensed.

Hon. Mr. Gantfoer: — The principle that you outline in terms of how it would be handled from Finance's perspective is as you indicate. I don't have the detailed information in my possession to know exactly where Health has accounted for the details.

It was my understanding, from when I was in the post-budget in North Battleford and David Fan was there, I thought he indicated that there was some ongoing planning that the health authority was conducting, and I'm assuming that that would either be accounted for as a capital item or an ongoing budget item for the health authority. But I would encourage the member to direct that detailed question to the Ministry of Health because I don't feel comfortable with the details.

Mr. Taylor: — I understand, and I thank the minister. What I'm trying to do is just understand if there's been any change in accounting policy. I believe that the Provincial Auditor, as well, prefers to see funds advanced in the year in which they're actually spent, and that accrual for future expenses is something that the Provincial Auditor has not found pleasant to deal with.

Is this the interpretation of the Ministry of Finance as well, that the Provincial Auditor wants expenditures expensed in the year in which they are actually spent?

Hon. Mr. Gantfoer: — Yes. Again I think that, in a general principle, it's true. The Provincial Auditor supports the general principle that if money is expensed to an appropriate third party agency, it's considered to have been spent from the government standpoint. And so monies that are advanced to school boards or to health districts, you know, are considered spent when they're advanced to the third party agency. And there might be some planning overlap in terms of timing on the budget year-ends, but that's generally the way the practice has been and continues to be.

Mr. Taylor: — Thank you very much, Minister. That concludes my questions. Mr. Chair. Again thanks to the minister and his officials. I'll turn this over to my other colleagues now.

The Chair: — Mr. Van Mulligen.

Mr. Van Mulligen: — Thank you very much, Mr. Chair. I'd like to begin first by welcoming the minister and his officials and to help us in our consideration of these estimates for the Department of Finance.

I'd like to turn our attention back to October 21, 2008 if I might, probably an important date you'll remember well. On that date, the Premier announced a significant reduction in taxes and debt and also announced a significant commitment to infrastructure funding. What he in fact said, with respect to infrastructure, is that the 2009-10 provincial budget will include a 50 per cent increase in equipment to rebuild Saskatchewan's infrastructure, bringing the total investment to \$1.5 billion. So what he's saying, in short, is that the budget for the year that we're now considering, the 2009-10 provincial budget, would have an investment of \$1.5 billion in infrastructure. Is that correct?

[15:15]

Hon. Mr. Gantfoer: — The initial plan that was announced last fall indeed is, in principal, in the direction that the member outlines, that there was a sense that we were in a position because of the unexpected dramatic increase in revenues to increase our investment in infrastructure in the province, to undertake the initiatives on tax relief, etc., and so that certainly was the general direction that was outlined last fall.

Mr. Van Mulligen: — And, Mr. Chair, not only general — it was quite specific. It was \$1.5 billion, and I might say that a few weeks later on November 12 when the mid-year report was released, the news release from the Department of Finance contained in it the following:

Highlights from the Premier's October 21 announcement include . . . [and again reiterating] the largest investment infrastructure in Saskatchewan history (\$1.5 billion for 2009-10).

So it was confirmed a few weeks later after October 21. Then I was interested to read an additional news release. In this particular case, the news release came from the Executive Council, and this news release is dated December 22, 2008. And I think this news release is kind of like the Premier's overview of the year, and you know, the year-end report, I guess if you like, by the Premier, and talking about significant indicators in Saskatchewan's economy continuing to be strong and steady.

I won't go through all the details here but the Premier said, "In addition, the tax cuts, infrastructure spending and debt reduction our government announced in October will further stimulate the economy in the coming year."

So as I understand that then, he was saying on December 22 the announcement that we made in October will have a certain impact. So I then assumed this — when he said, I'm referring to October — that he's referring to his commitment to have the largest investment in infrastructure in Saskatchewan history: \$1.5 billion for 2009-10. No, that's what he said in November; but in October he said, increase commitment to rebuild infrastructure, bringing the total investment to \$1.5 billion, and that's in the 2009-10 provincial budget.

So on December 2, we then get some confirmation of an expenditure announced in October to the extent of \$1.5 billion in the fiscal year 2009-10.

But then I go on to read a month after that, on January 26 I read a rather interesting article in the *Leader-Post*, written by one James Wood. And in this article, kind of a retrospective piece on putting together the budget for 2009-2010, and you were referenced in this article, Mr. Minister. In particular it says: "The prospect of a significant drop in revenue led Gantfoer to suggest in December that the government might run a deficit and dip into its reserves to balance the upcoming budget."

I don't remember those specific comments by you in December. I've not found any so-called paper trail of that, but I assume that Mr. Wood is right, that you did suggest that in December. But then the article goes on to say:

But soon after, Wall sent a strong signal that the government had little intention of spending more than it took in and that using the financial security fund to balance the books should be avoided.

That may be playing a role in the government's stated desire to accelerate the infrastructure spending it had planned for the new fiscal year.

So my question is: when in December was it clear to you that you would be accelerating infrastructure spending, that is to say you would be taking money out of the proposed 2009-2010 budget and moving that forward into the 2008-2009 budget? When in December would the Premier have been saying that?

Hon. Mr. Gantfoer: — Thank you to the member for the preamble and the rather lengthy question.

Certainly the situation in the economy last year has been one that I would characterize as very turbulent. When we posted the budget last fall, we had every expectation that there would be some disruption in the economy, if you like, but we felt that . . . And I think that economists generally probably underestimated the turmoil that was going to occur. And certainly no one last year, when we posted the budget last year, predicted that oil for example was likely to go to \$147 a barrel. There were certain forecasters that maybe individually were within that range, but most forecasts were much more modest than that.

Similarly last fall, the lowering of the economy in the United States and the subsequent impact on economies around the world was a lot more significant and serious than I think generally was predicted as well. And certainly one of the major topics of the Finance ministers' meeting that was held in Saskatoon in mid-December was indeed looking at how the federal and provincial governments might respond to this dramatically changing economic outlook in the country.

And it was certainly at that time that provincial Finance ministers from across the country virtually unanimously encouraged the federal government to move forward with economic stimulus, in as flexible a methodology as is possible, because it was felt that if there was going to be a positive mitigating effect on the economy, that the sooner that the monies were invested in the economy would indicate that the sooner there would be a response. In fact some economists were suggesting that it may have already been later than it should, that the anticipated stimulus should occur sooner. And so we joined with our colleagues in Canada from the provincial perspectives of encouraging Minister Flaherty to be very, very flexible.

Subsequent to that there was a first ministers' meeting in early January as a follow-up where the necessity and the importance of moving fiscal stimulus forward was outlined and very much agreed that that was an important priority for governments right across Canada — provincial and the federal government. And so while we had not made specific commitments to moving the stimulus forward at the Finance ministers' meeting, there was a strong consensus that this kind of flexibility and moving forward in a time-sensitive manner of whatever governments were able to do was an important priority.

Mr. Van Mulligen: — Well if I just might make the comment, first of all, that to indicate in November 12, as you do, that Saskatchewan finances remain strong and debt reduction is on track:

“While an economic crisis is gripping other regions of Canada, the United States and countries around the world, Saskatchewan's economy remains strong and we are well-positioned to meet the challenges we might face in these uncertain times.”

And I'm quoting you, also:

“The Mid-Year Report shows our revenues remain strong, our projections are on track, and our plans to share the wealth with all Saskatchewan people, as announced by Premier Brad Wall in October [on October 21], are affordable and sustainable.”

That you would be then indicating within a month that you might be running a deficit?

So the question I have is, what does that do for confidence of Saskatchewan people in the comments that you and the Premier make about our finances, when you were so certain in November that everything is going along so well, and yet within a matter of weeks you're talking about a deficit?

And I guess the question is, what confidence does that engender in Saskatchewan people when we see that kind of great variation, difference, black-and-white scenarios being painted by you as the Minister of Finance and the Premier as the person who's ultimately responsible for the finances of this province?

Hon. Mr. Gantefoer: — Thank you. I appreciate the question and I appreciate the comments from the member, observing the changing financial world that has occurred in this past year from the sidelines. I appreciate the fact that in this world the economic forecasts were changing dramatically and the circumstances of the downturn of the American economy firstly, and the Canadian economy following with it late in the fall, were very, very significant and very, very turbulent.

I'm a prudent and a cautious person by nature. And we have tried through this whole exercise, even when oil prices were dramatically increasing, I was saying to the media and saying through them to the people of Saskatchewan, that we better not count on the fact that oil is going to remain at \$147 a barrel, that we better be prudent and fiscally responsible in how we allocate the very significant windfall revenues that the province was experiencing. Because certainly there were those voices clamouring for increasing spending and suggesting that we're sitting on mountains of money, and the treasury was fully cashed up, and so then we could go on to a very, very ambitious spending program that may indeed not be sustainable in light of the turbulence that the economies were experiencing.

I think it's safe to say to the member and to the people watching that last fall the downturn for the economy in North America and the world was more sudden and more severe than virtually anybody predicted. And so in those circumstances to indicate that if this downturn is so severe that it could put us into a negative cash position, if you like, was the prudent cautions to

exercise.

In the long term, we believe that the fundamentals are sound for the province. I continue to believe that the fundamentals are sound. We, in the preparation of this budget, used very prudent, cautious estimates and forecasts, and we continue to do that. But I certainly believe that if anybody was able to accurately and reliably predict the severity of the change in the economy, they would be wealthier than Warren Buffet. But even that guru of investment certainly didn't forecast and foresee the level of change that has occurred to the economy in great amounts late in the fall of last year and ongoing.

Mr. Van Mulligen: — No. And I don't expect that we should have some kind of crystal ball or that you should have a crystal ball. That's not the issue here. I guess the question is, can I just ask, like when you suggest that in December, according to this newspaper article, and maybe this newspaper article is wrong, but it says that you suggested in December that the government might run a deficit. Do you remember when that was in December?

Hon. Mr. Gantefoer: — No. I don't.

Mr. Van Mulligen: — Would that have been mid-December roughly?

[15:30]

Hon. Mr. Gantefoer: — It would just be a guess on my part, and I couldn't put it down to a specific day.

Mr. Van Mulligen: — The question I would have is that how we can go from a situation where you say Saskatchewan's finances remain strong, and all the other things that I indicated, to one where you say that we might run a deficit?

Hon. Mr. Gantefoer: — Well certainly the question was couched in sort of a hypothetical, well what if — what if, you know. And so you can get into that mug's game about what if, you know, the price of oil goes to \$20 a barrel? What if potash goes to \$100 a ton? What if? Would that result in there potentially being a deficit?

And I suppose a person should never engage in the what-if scenarios because they are usually taken to the extreme. And that indeed is a hypothetical possibility that you might get quoted on and that's true.

The fact of the matter remains that while Saskatchewan has been affected by these tremendous upheavals in the economy, by and large we are escaping much better than any other jurisdiction in North America from the effects of this turbulence. And I think the people of Saskatchewan and we as a government have every reason to be proud of the caution and the prudence that we've exhibited in the exercise of the decisions as we've faced this very, very dramatically changing economy.

Mr. Van Mulligen: — But nevertheless in a period of, say, about a month, you were able to go from talking about our finances being strong to musing about a possible deficit in the forthcoming budget.

Hon. Mr. Gantfoer: — Well for example, to the member, I mean to highlight what I've indicated in terms of the dramatic changing economy. If you look at the Crown land sales for example, in the April 2008 original budget estimate for the total of the year was \$192 million. To put it in context, in April 2008 we realized \$265 million; in June 2008, \$142 million; in August '08, \$242 million; in October 2008, \$223 million. In December 2008 it had dropped to \$47 million, and in February '09 to \$6 million.

So you can see, I think, very clearly how significantly and wildly some of these prices were being reported and indicates somewhat the level of change in the economy.

On the price of a barrel of oil, for example, these are the monthly averages that I'm using. In June '08, it was \$134 a barrel, monthly average; July, 133; August, 116; skip to November, \$57; December, 42; January, 41; February, 39. Again dramatically changing, variable numbers that we're trying to make sure that we understand and are responsibly commenting on.

So the member can see that this economy has been changing rather dramatically, and I certainly have been trying to strike a positive chord, but also a very prudent one. And I think that, by and large, commentators have indicated that the government has been correct in its assumptions and correct in its direction.

Mr. Van Mulligen: — So just to sum up, like we're talking here about a period of about a month, maybe month and a half from the middle of November, say, at the utmost, to the end of December. And you said things change rather dramatically.

Hon. Mr. Gantfoer: — I've just outlined and quoted two of the component parts of our revenue as by way of example, and I think the member can see, based on those facts, that indeed they were changing dramatically.

Mr. Van Mulligen: — Can I just ask about this so-called fiscal stimulus or this economic stimulus package, this so-called booster shot that the Premier referred to it as, just what kind of analysis the Department of Finance did to see what the stimulative impact would be on Saskatchewan's economy of advancing the announcement of funds for projects — which I gather were already on the drawing books — by a period of a few months. Do you have some analysis on that just to clarify for people that when the Premier referred to it as, I think he said giving ourselves a booster shot. Yes, he said, "The message is, we're not going to sit idly by in Saskatchewan. We're going to act in terms of a stimulus and investing in the infrastructure." He goes on to say, "... we want to give ourselves a booster shot."

So if that's what you're doing, if that's the intent of then moving this half a billion dollars from the 2009-2010 budget to the what was then the current-year budget — and that was to do, as the Premier says, was to provide an economic booster shot — then if that's the intent, then surely government must have done some analysis in terms of what kinds of booster would actually be provided by advancing the announcement of these projects by a couple of months. And also done analysis in terms of, you know, when you get the money out the door that rapidly as the government was that you would then have, I

guess, a bit of slippage in terms of not exactly being able to invest in what you might have wanted to invest in, in terms of projects, that you don't have the controls.

Hon. Mr. Gantfoer: — Well I would like to indicate that certainly, you know, coming out of the mid-December Finance ministers' meeting in Saskatoon, there was a strong sense, and certainly Saskatchewan articulated in a very strong way that if there was going to be economic stimulus, if indeed the economic advice that was being received — and certainly at that meeting there was presentations made about the importance of responding to this significant downturn in the national economy, and I'll leave out the international economy for reference, but that certainly was there as well — that it was an important component to provide stimulus to the economy.

And so we very much supported that and argued very vehemently that we felt that this would be best accomplished if there was a maximum amount of flexibility that would be provided. And we used by way of example the trust mechanism that had been used by the federal government to provide funds to provinces in the past and was able to move those funds forward very, very quickly and effectively. And so that was a strong, strong consensus.

We can say that if you take that booster shot and the tax benefits, the \$300 million tax benefit, provided almost a full percentage point of GDP [gross domestic product] growth for our economy in Saskatchewan. That is the analysis done by our ministry in terms of what the impact of this potentially was going to be. So it was going to be effective. The other thing that was very important for it to be effective is that it gets out in a time-sensitive and a timely way.

And so the decision was made to move \$500 million of the \$1.5 billion that was earmarked for the '09-10 infrastructure investment, to move it forward to last year's budget, the '08-09 budget, and so that it could get out to appropriate third party agencies in a time-sensitive way, virtually quicker than any other jurisdiction in Canada. Certainly much quicker than the federal government has been able to react and much quicker than virtually every provincial agency has been able to act.

In terms of the comment about potentially how do you allocate and how do you, you know, allocate those resources. And certainly we felt very strongly in the capacity of our municipal leaders in this province, that they would be able to identify — and I hate the quote, but — the shovel-ready kind of projects that people were saying were needed early in the spring, so that projects could be moved forward. That they'd have the reliability and the assurance of the funds in place, and then would be able to outline projects and have them moving forward early in the Saskatchewan construction season.

You know, I think our winter's been a little longer than what we would have certainly liked, but it is very much been indicated to us by our municipal partners that by the fact that this money was there, made available in a way that they could count on in a very simple, clear, straightforward manner, was very much appreciated because they've had an accumulation ... It's not only the province that ended up in an infrastructure deficit from a provincial perspective; certainly the municipalities have ended up with infrastructure shortfalls because of the lack of

appropriate funding by previous administrations.

Mr. Van Mulligen: — Mr. Chair, the question was with respect to the half billion dollars and its impact. I understand that the total impact of all of the measures announced in October — and that would have been \$1.5 billion for infrastructure, \$300 million personal income tax cut, debt reduction, and spending initiatives, I assume — all of that was to increase the nominal GDP growth by 1.3 per cent in 2009, and a further 1 per cent in 2010. That comes from, according to figures prepared by Saskatchewan Finance.

But the half billion in itself wouldn't be . . . By advancing that by two months, what kind of impact would that have had on the GDP? Would that have meant the 1.3 per cent goes to 1.4 per cent, and what was your analysis on that?

Hon. Mr. Gantefer: — The description of the impact on the GDP has always been assumed that it would be in the calendar year '09. We were getting the money into effect before the fiscal year-end. But certainly the impact as reported by Finance in terms of the GDP impact was always assumed for calendar year 2009.

Mr. Van Mulligen: — There's no particular impact then of advancing these funds by a couple of months, as you have done.

Hon. Mr. Gantefer: — Yes well there certainly is a benefit because part of the benefit that will occur is when the monies actually get spent. And so the sooner that we were able to make the commitments in specific detail, the sooner then the third party agencies were going to be able to do their planning and to ensure that the actual impact was going to take effect as soon as possible.

You may minimize the fact that two or three months may have, but it certainly is the kind of things that municipal leaders have asked for and complimented us on in terms of getting this forward so they could do the planning in the winter months, if you like, and so that these projects would be advanced quicker in the calendar year 2009 than they would have been in the other circumstances.

And certainly Saskatchewan was able to act virtually quicker than any other jurisdiction in Canada, and I think it'll be part of the reason that Saskatchewan will continue to lead the nation — not only last year but in this coming year — albeit at a slower pace. But certainly our position in regard to the rest of the country is very, very positive.

Mr. Van Mulligen: — I put a lot of credence in this little term — I don't know who coined it — when it says that haste makes waste. And I wonder, by advancing as you have the funds for municipalities, to say to municipalities, you have to get us in one page — I think as the Premier was indicating, one page — your request for the funds that have to be expended, and it has to go out the door by the end of March. And as you've indicated, the auditor says once it's out the door to a third party, then you have no further control over that.

[15:45]

It begs the question of what kind of work the government was

able to do to ensure that what municipalities were investing in was new projects. Not some project that they had intended to go along with and fund in any event. But what kind of new infrastructure spending would result from the money, the \$100 million or so that went to municipalities? Because you did it in such a hurry, there's no real way to ensure that this was going to result in new spending over and above what municipalities had already planned. Isn't that so?

Hon. Mr. Gantefer: — Well I guess the difference between the members opposite and the government is fundamentally out of the respect that we have for municipal authorities in our province. These authorities are very responsible, elected, professional people that engage the services of employees that are as well very professional and thorough and thoughtful, who have been lobbying the previous administration for years in order to deal with deficits in the infrastructure that were allowed to accumulate.

And so this wasn't a great surprise or a great amount of creativity in terms of identifying projects that municipalities had been deferring because there hadn't been adequate funds being provided. By and large these were ongoing infrastructure things that couldn't be considered because the financial support was simply not there.

In terms of the relationship with the municipal authorities for the \$100 million, we said to them very simply that we are very much of a trust condition that we're indicating is that we expect this to be new infrastructure, that it be shovel ready in a time-sensitive manner, and that we asked them in a one-page form to outline what they had in mind.

And so you're right. It wasn't a nitpicky, detailed study and second-guessing of all the decisions that they responsibly are making on behalf of their own jurisdictions. It was a commitment on faith and on trust and respect that I think is going to be proven to be very, very appropriate and effective.

And certainly we made similar comments to health authorities and to school boards about saying, bring forward projects that can be moved forward so that the desired overall effect of the government to provide economic stimulus is going to be accomplished. But that this money is for projects that are very much needed and very much identified as priorities for these jurisdictions.

Mr. Van Mulligen: — When we asked a written question of the government in terms of what economic analysis had been done of any of the programs being funded by the \$500 million "economic booster shot," the feedback we got back is that just more general principle about, this is good stuff and sure it'll help somewhere down the road. But there wasn't what I would call a great deal of hard analysis in terms of jobs being generated by advancing infrastructure funding by two months.

And so I wondered, through this series of questions, whether you might be able to add something to that in terms of some hard numbers that would satisfy the people of Saskatchewan that this money of theirs would in fact result in the kind of economic booster shot that the Premier called it as. But I'm not really clear that that's what's taken place. There may well be other reasons for advancing money from one budget year to

another, but I'm not so sure about a booster shot.

In that vein, you yourself said that an unintended consequence of advancing the funds from the 2009-2010 budget year into the 2008-2009 budget year, that an unintended consequence, I think if I'm quoting you correctly, was that it would help to ensure the government wouldn't be running a deficit in the 2009-2010 budget. Is that correct?

Hon. Mr. Gantefer: — Certainly in terms of the first part of your question in the economic booster shot, it's more than the \$500 million of infrastructure. It's the income tax reductions, all of those components put together in the fall announcement were analyzed by Finance to represent a GDP shift of almost 1 percentage point. And so that continues to be true and to move forward.

In terms of the impact of moving \$500 million of an expenditure from the '09-10 budget to the '08-09 budget, that certainly would decrease the surplus of the '08-09 budget by \$500 million, and increase the potential surplus of the '09-10 budget by a similar amount. The numbers that we're using in this budget are almost that — it's \$450 million — and certainly if we had not made the decision to move the infrastructure spending forward, we would have made subsequent decisions to ensure that we posted a surplus budget.

Mr. Van Mulligen: — Which the people do question whether the real intent of the \$500 million transfer between the budget years was to in fact ensure that you wouldn't be running a deficit as you were espousing concern about in December, or whether it's just a PR [public relations] gimmick by the Premier to recast this transfer of money as a booster shot. So I guess there will continue to be skepticism about what has taken place here.

And I guess that gets at a concern that I think we need to address, and that is that when we have difficult economic times and they affect the finance of the province, it's always better to be just straight-up frank as opposed to dressing things up in words that lead people to question what's taken place here. And a word should have some meaning, to quote the president of the United States and to . . . You know, I don't know whether there would be any problem if you were to say that look, our resource revenues are on a certain track. We are concerned that we're not going to be able to make our commitment in terms of \$1.5 billion investment in 2009-2010 and therefore we're going to advance it to this current fiscal year. We've said okay, well if that's what you want to do then you can do that but, you know, that's not what happened here.

What happened here is the Premier decided to call it something else and I guess, you know, from the viewpoint of the public and their confidence in the finances of the province, I think the absolute number one rule has to be frankness. And I just wanted to make that observation on that issue.

Hon. Mr. Gantefer: — Thank you. Should I respond?

Mr. Van Mulligen: — Yes.

Hon. Mr. Gantefer: — Well I think that the reason we framed what our intention was last fall as an economic booster shot is

because we meant it to be exactly that.

What we framed in terms of the early fall when we said we were going to share in the benefits of the province with the citizens of the province by reducing the General Revenue Fund debt by very significant numbers to almost 40 per cent reduction in the debt was because we meant exactly that.

When we said we're going to provide a \$300 million income tax relief for our citizens, we said it because we meant exactly that and we made it retroactive to 2008. And we committed it to 2009 as well because we meant exactly what we said.

You know, I find it just a little bit curious that the member opposite, who in the prior election raised the provincial sales tax immediately after the election and commented and was quoted — and I don't have it front of me — but basically that you don't talk about tax increases during an election, would be less than fair with the citizens of Saskatchewan about the frankness of that prior administration and the prior members' commitment to these lofty goals.

We have done exactly what we said we would do, and we have not bought into the negativity that has been espoused by the member opposite. And I continue to believe that prudence and caution are very good attributes to have, but we have a tremendous amount of belief in the economy of this province, in the long-term fundamentals of this economy.

And Saskatchewan has done better than any other jurisdiction in Canada last year. It will continue to do better than any other jurisdiction in Canada this year. And I think that we have done exactly as we said we have done, and we've been very, very frank and forthright with the people of this province.

Mr. Van Mulligen: — Mr. Speaker, history will write what history will write. But let me just deal with the question of spending, Mr. Speaker. And maybe it's ironic that earlier you made the comment that this budget was the first one you had to work on for a full year. But I note that the increase in spending in this budget is 12.4 per cent versus 10 per cent in the previous budget, which you didn't have a full year to work on. Well I won't go any further on that vein. But I guess the question I would like to ask is, what's your plan to reduce spending?

Hon. Mr. Gantefer: — Well certainly I will pick up on your comments about the expenditure increases. You know, when we were elected in the fall of 2007, we sort of had a unique perspective and a unique commitment to the people of Saskatchewan. We actually campaigned on certain promises we made to the people of Saskatchewan and we, unlike previous administrations, actually intended to deliver the promises that we made to the people of Saskatchewan. And some of them had and have some significant price tags.

And so in our first year we were able to realize on some 40 of those promises in the very first budget which indeed result in an increase in expenditures. But we are also very, very sensitive about increasing expenditures to some of the people that are most vulnerable in the economy because we wanted to do, as a responsible government, what we needed to do in order to ensure that these people were not left behind.

And so we increased benefits to seniors that hadn't been touched in virtually the entire previous administration's mandate. And we think that that is important. Going into this budget, we had largely three unfulfilled major commitments in terms of the children's hospital, in terms of municipal revenue sharing, and in terms of educational property tax relief. And I was very proud of this budget that we were able to realize on those commitments. And that indeed has resulted in a 12 per cent increase year over year.

And again we've made sure that we've also not forgotten the agricultural community, that we haven't forgotten the people most vulnerable and increased rather significantly the Social Services budget. And I'm very, very proud of our government's record in that stand.

As we move forward and as these major commitments have been realized and fulfilled, it's our intent as we posted in the out years to have a target or a goal of reducing the increase in expenditures to 7 per cent next year followed by 5 per cent, and we believe we can do that because the significant commitments we made to the people of Saskatchewan have been honoured.

Mr. Van Mulligen: — So back to the question. Like how will you look to reduce spending?

Hon. Mr. Gantefoer: — Well we will still increase spending. The projections will be at a lower level of an increase, but there's still going to be increases in the expenditure — for the '10-11 at 7 per cent, '11-12 at 5 per cent, and '12-13 at 4 per cent. So we're not reducing spending, we're reducing the rate of growth in the expending.

Mr. Van Mulligen: — Sorry, I should have stated it in that way. But how will you do that?

Hon. Mr. Gantefoer: — We will do it by watching the expenditures and by recognizing the fact that the major financial commitments we'd made in promises in the campaign are realized. And so we're not going to have the kinds of expenditure increases as would be reflected by \$150 million property tax relief each year incrementally. And so that goes into the base budget, and so the percentage of increase of expenditures diminish.

Mr. Van Mulligen: — You know, I don't want to be argumentative or suggest things, but even if you were to reduce capital say next year from a billion that you have now in this current fiscal year to half a billion next year, which is I think probably more historic capital spending, your budget would still go up by probably seven and a half per cent.

And so the question is, what other big ticket items can you point to that you will be able to cut back on to bring spending into line with what your goals are?

[16:00]

Hon. Mr. Gantefoer: — If we keep capital at \$1 billion next year, on that item alone, it'd be a zero per cent increase. It doesn't go back. If we went to a \$500 million capital commitment, it'd be a significant decrease in spending. It'd be a negative number, if you like.

We are budgeting for a 7 per cent increase next year because there are two items that carry over into next year, if you like, or actually three items. The municipal revenue sharing goes from 90 per cent of the 1 per cent of provincial sales tax to 100 per cent. So that is an increase that's built into next year. Educational property tax is going to be further reduced somewhat. And there'll be the second phase of the children's hospital that will continue that commitment.

And so that is why we're forecasting, for example, next year, the rate of growth of expenditure will diminish from 12 per cent to 7 per cent; subsequent to that to 5 per cent and 4 per cent. So it's a gradual process, but so the member understands, if the infrastructure spending stays at the \$ 1 billion that's currently in place, all other things outside of that, that would be a zero per cent increase.

Mr. Van Mulligen: — But it's not as if that infrastructure spending, if it continues, doesn't have at some point some operating consequences for you as well.

Hon. Mr. Gantefoer: — I think that that is true because it's part of the overall expenditures of government. But certainly the analysis that is coming back to me from other ministries is that there is a significant amount of expenditures on infrastructure that are going to have to occur for a good number of years before we address the shortfall that is left to us by the previous administration.

Mr. Van Mulligen: — Well the previous administration will certainly point to the fiscal circumstances left to it by the previous Devine administration in terms of mass indebtedness and inability of government to do much else but to make payments to bankers because of that indebtedness. And therefore the restrictions that are placed on it would also point to oil prices that were significantly less than the oil prices that were enjoyed by the government today.

But I don't want to get into doing a comparison of administrations and what they have to work with. Again as I pointed out, my wife and I play a little bridge, and in bridge you're judged not by the hand that you're dealt but by how you play that hand. And I'm not sure this government's really had much of a hand to play. But I note with great interest your commitment in terms of expenditures, and we will be looking at that in future years.

Can I ask you a question about the harmonized sales tax? This issue came back on the radar screen just a few weeks ago or a week or so ago when the Ontario government indicated that it was going to harmonize its provincial sales tax with the federal GST [goods and services tax], and then the Premier said, the Saskatchewan Party government will still look at the issue going forward. What does that mean?

Hon. Mr. Gantefoer: — When we formed government, the federal Finance ministry asked us to consider the prospect or the potential of harmonizing the provincial sales tax with the GST. Out of respect and courtesy, we entered into a discussion and as much of an analysis as we could in terms of what the impact may be on Saskatchewan. The result of that investigation early in our mandate was that the province felt that it was not in the interests of Saskatchewan to pursue the

harmonization of the PST [provincial sales tax] with the GST.

That position remains. We recognize that there is some plan in place for Ontario to consider harmonization. Our officials are trying to actually determine the details of that plan so that we can properly understand it, but at this point there are no plans for us to actively consider harmonization.

Mr. Van Mulligen: — So you made a commitment in the election campaign that you wouldn't do that, but here you're still actively pursuing or looking at this issue.

Hon. Mr. Gantefoer: — We think it's very important to understand what's going on in other parts of Canada. We look at all jurisdictions in terms of the decisions that are made, are made and being made, on an ongoing basis. It certainly is a part of what we think our responsibility is: to understand what's happening in other provinces, to make sure that in the basket of things that people measure from personal or corporate tax to sales tax to any of these monetary issues, that it's important for Finance, the Department of Finance to certainly understand all of those issues so that they can make appropriate recommendations to the government of the day.

And I don't think that's anything different than has probably been the course of considering these issues in the past.

Mr. Van Mulligen: — But you're not then concerned about the commitment that you made in the campaign. You're more concerned about how the dollars might work on this one.

Hon. Mr. Gantefoer: — You know, I think as I indicated to the member that it's important as a government for us to make sure that we keep our fingers on the pulse of the nation, if you like, particularly to understand what other jurisdictions are doing. New Brunswick, for example, I understand is rather aggressive in terms of trying to reduce the tax consequences on businesses in their jurisdiction.

And certainly I think it's important that we not only recognize that other jurisdictions are watching us, but that it's incumbent on good monetary and fiscal policy to make sure we keep an eye on what other jurisdictions are doing as well. It's part of responsible, knowledgeable Ministry of Finance and so we certainly will continue to monitor and understand what's happening in other jurisdictions.

Mr. Van Mulligen: — So I guess I don't understand this, that this article from the . . . I guess I'm not sure which paper it is, but . . .

A Member: — *StarPhoenix*.

Mr. Van Mulligen: — *StarPhoenix*, yes, states that "Saskatchewan Premier Brad Wall campaigned last year on a platform that included no harmonization, but [then] recently has hinted that he is open to more discussions on the issue."

So to me that almost sounds like that when you make a campaign commitment that there should be fine print that we should be aware of. Or what part of saying that you're against harmonization is it that people didn't understand when he says no harmonization?

Hon. Mr. Gantefoer: — I fail to understand the connection the member makes. Certainly by the fact that we said we are not interested in harmonization, that we campaigned on the fact that we're not interested in harmonization, doesn't certainly, I hope that you're not suggesting, that it precludes us understanding what's happening in other jurisdictions. I mean it is a responsible thing for us to understand what is happening in Ontario. They're the biggest economy in the country to date and I think it's only responsible for us to understand it. There's nothing out of sync with the fact that we are not prepared to move forward with harmonization, that that was a commitment we made in the campaign. And saying that we should then — because we're not prepared to do it — that we should live in the dark and ignorance of what other jurisdictions are doing, I think that's a nonsensical proposition.

Mr. Van Mulligen: — Well okay, that's your take on it. I mean my take is when he says, campaigned last year on a platform that included no harmonization, I guess no means no. But you're saying that's not the case.

Hon. Mr. Gantefoer: — Just the opposite. I'm saying that for us it means no. But does that mean, are you suggesting, is the member suggesting that because we are not prepared to move forward with harmonization, that we shouldn't understand what is happening in the Maritimes where harmonization has been in effect for a number of years? That we shouldn't understand what's being proposed in Ontario as it moves forward? That doesn't change our position, but I think it's only responsible that we understand what's happening in other jurisdictions.

Mr. Van Mulligen: — Well I'll leave this. The Premier said, "We made a commitment in the campaign. Having said that, if the numbers get large enough, and long-term enough, so we can blunt the effects of this on consumers, I'm sure the debate would happen again in the province." To me that's more than sort of an academic review of what the issue is. It's just something more than that.

Mr. Chair, I just want to ask a question with respect to tax-free savings accounts. The federal government announced tax-free savings accounts in its last budget. Are there any implications for Saskatchewan legislatively, regulatory-wise, financially on the federal government's introduction of the tax-free savings accounts?

Hon. Mr. Gantefoer: — I'll ask Mr. McGregor to answer the member's question because I think the answer is relatively technical.

Mr. McGregor: — To the member, the tax-free savings account was introduced by the federal government. It's introduced in such a fashion that the provinces have to accept also its participation in this particular program. So when a person contributes to a tax-free savings account, that person is allowed to then accumulate investment income in that account tax free. And it's tax free both for the federal government as well as for the province.

Mr. Van Mulligen: — Does this then require legislative change in Saskatchewan?

Mr. McGregor: — No, it's not. It's a matter of the federal

government amending at the national base which we're required to accept.

Mr. Van Mulligen: — Okay. I get some indication that other provinces are being asked to change their legislation, and some are in fact moving to change legislation to make it clear that beneficiaries includes a tax-free savings plan.

Mr. McGregor: — If I may, member, I'd like to have a chance to check that, and then I'll report back to you in writing.

Mr. Van Mulligen: — Right. I appreciate that, sir. Thank you. I have a question with respect to the R & D [research and development] tax credit on page 78. And the question is: why is this part of the Finance estimate as opposed to the Enterprise Saskatchewan estimates? The tax credit assumes some programmatic role in terms of R & D and economic growth and the like. Why would that then be part of Finance and why wouldn't that be Enterprise Saskatchewan?

Sorry, Enterprise Saskatchewan, is responsible for, if I remember correctly, other kinds of tax credits like labour-sponsored venture capital and the like. And, you know, it assumes that these tax credits have some impact on the economy. And therefore they have to judge these tax credits against other tax credits they have in terms of priority and impact, and the like. So I'm curious to why this is now in the Finance estimates.

Hon. Mr. Gantefer: — I am told by my officials that tax policy is generally administered through Finance, as a general rule. And because this is a change from an expense to a credit, it actually has a net effect of some \$6 million; that the former program resulted in revenues or expenses of \$12 million. This is now \$18 million because it's a credit. And so it's fully refundable and so therefore increases the amount. Theoretically that's done in conjunction with the federal government and the relationship in terms of tax policy traditionally has been with Finance.

Mr. Van Mulligen: — So there's no additional staff or program implications then for the Department of Finance for this measure at all?

Hon. Mr. Gantefer: — No, there's not.

[16:15]

Mr. Van Mulligen: — I just want to ask you a question which we raised with officials in the Public Accounts Committee a few months ago, and that was pursuant to the Provincial Auditor's report of last fall, where the Provincial Auditor again encouraged the Government of Saskatchewan to pursue the notion of presenting its budget in summary form so that all of the discussions in terms of the relevant indicators of our budget and the relevant communication with the public about our financial affairs would be done on a summary basis as opposed to the way we do it now, which is on a General Revenue Fund basis. You know, we do present the summary information; it's there in the budget documents.

We also, you know, we as a province also provide financial reports to the public in the public accounts. We report that

information as well on a summary basis, so that people can see, you know, all of our financial affairs in context with not just the General Revenue Fund where we tax and get tax revenues and we spend money on health and education, highways, and the like, but also then the affairs of the Crown corporations and other agencies — whether it's crop insurance or what have you, the SGI drivers' fund and the like — so that people then get an overall sense of the financial health of the province.

And, you know, the Provincial Auditor has been encouraging the provincial government to make this change to that form of budget presentation for some time, and the previous government resisted changes in that direction. And, you know, I guess for me when I looked at that in the past, it was always a question of when's the appropriate time to make that change and when can you do that.

And so have you had any further thoughts on that, especially given that Saskatchewan will now be, as I understand it, the only province in Canada that won't be presenting its budget on a summary basis, which from the auditor's view leads to a better understanding on the part of the public, appreciation by the public of the financial affairs of the province? Have you had any further thoughts on that since your officials appeared at the Public Accounts Committee?

Hon. Mr. Gantefer: — Thank you to the member. From my perspective, I think that the position that we take is consistent with the position of the Government of Saskatchewan for some years.

Certainly years ago the reporting was almost exclusively done on the basis of the General Revenue Fund. And over time there has been a gradual acceptance of the notion that there should be also reporting done on a summary basis to incorporate all of the activities of government in the broadest sense of the word, and I think that my preference is for this to continue.

I think that it is useful for us to report on a General Revenue Fund basis because that tends to reflect more appropriately the actual affairs of government, if you like, in terms as the member outlined — revenue, taxation, revenue coming in, expenditures for all of the ministries going out — and it tends to reflect that fairly accurately and fairly familiarly, if you like, so that people do understand it.

I also accept the notion that there is a responsibility for government to bring it all together so that the activities of pension funds and Crown corporations and things of that nature are put together. So my preference, to the member, would be that we continue to make improvements on the quality of the reporting both in the summary and the GRF [General Revenue Fund] basis, but I think it probably would not serve us well to just abandon one for the other completely because I think the balance that we're striking and has been in development over a number of years, I acknowledge, is actually serving the province very well.

Mr. Van Mulligen: — I guess one of the things the provincial government had in the past was some luxury of being in the pack with many other provinces, but now we seem to be out on some fiscal limb here by ourselves. And I wonder if that's leading you to any different conclusion than the one you've just

given us.

Hon. Mr. Gantefoer: — Sometimes it's lonely when you're right. We think that it's appropriate. And it certainly provides the people of Saskatchewan with both comparisons that actually gives the citizens of Saskatchewan more information rather than less.

Mr. Van Mulligen: — Mr. Chair, just before wrap-up, I wanted to get back to something you said earlier and that is that in a short period of time, I think you said, things can change rather dramatically. So this then raises the question for me of the assumptions in the budget, that you have certain growth assumptions in the budget for 2009 of a 2.1 per cent increase in GDP — gross domestic product — growth in the gross domestic product, 2.1 per cent. Private sector firms on average said that that growth would be 1 per cent. And since the budget, I guess, was put to bed by yourselves, private sector forecasters have further downgraded some of their forecasts for Saskatchewan and we see the revised private sector average being point six three per cent.

And we've had, since the budget, further, I guess, cause for concern about what is taking place in our economy. Today the Statistics Canada provided the, you know, story on the value of building permits by province and territories. And the change in Canada, you know, from January to February was that in Canada overall the value of building permits dropped by 15.9 per cent, say 16 per cent. In Saskatchewan that drop was forty-three and a half per cent and was higher by — if I read it correctly — than all of the other provinces. So there's been a major drop-off in the value of building permits in Saskatchewan.

And so I guess my question to you again is, how comfortable are you in the growth forecast that you have in your budget of 2.1 per cent? Recognizing again that I assume that that's a growth forecast that's made not on the day of the budget, but as a growth forecast that would have been made some time prior to that to aid you in your consideration of the budget, which is no short process. You know, it'd be a month or a month or two.

Hon. Mr. Gantefoer: — The member, you know, raises a point that's very, very important. Certainly the member is, I think, aware of there are some differences in the economic modelling that occurs between the national banks, if you like, and other organizations like the Conference Board, Global Insight, and C4SE [Centre for Spatial Economics], which use similar modelling techniques to what the Government of Saskatchewan and the Ministry of Finance uses.

So there is different techniques that take in different variables between these economic models. Traditionally our modelling, I believe, has been consistent and certainly has been provided on the same basis from the Ministry of Finance to this administration as it was to previous administrations. So there's nothing inconsistent in terms of the practice and the economic modelling.

What is of note, I would point out for example, is that Finance has the benefit, when it does its projection and its modelling, of knowing what's in the budget. The other forecasters do not know what's in the budget and so their projections by nature are

not going to include the potential economic impact of the budget itself. And so for example the Conference Board issued a GDP growth 10 days prior to the budget of 1.6 per cent. The stimulative effect or the economic effect of measures in the budget would more than account for the difference between the Conference Board's projection and the 2.1 per cent that we use.

So our numbers are more inclusive in that they actually are able to have prior knowledge of what's going to be in the budget tabled. And so we are confident that our numbers are better than anyone else's, but in this turbulence there is no absolute surety that they are going to be correct. By their very definition, it's a budget which is trying to predict what's going to happen in the next 12 months or forecasts which are trying to ascertain what the revenue streams may well be going forward.

I think . . . and it's certainly been my preference, is to be prudent and cautious. And so we're using numbers for oil that I think are cautious and prudent compared to what forecasts there are. But I also recognize you can find forecasts from oil prices from \$20 a barrel to 150 or more dollars a barrel. And so, you know, that's a bit of a challenge as well, to with absolute certainty say what's going to happen in the oil industry. We used relatively high exchange rate numbers that certainly again are prudent.

We also spent a lot of time, and I have to share that I've spent more than a couple wakeless hours wondering and trying to understand the potash industry and the impact that it has on our province. And certainly as time is evolving and increased discussions and knowledge of what's happening in the world leads me to believe that the numbers that we're using are very appropriate.

In fact I think there is some opportunity for upside on our numbers, but the crystal ball is a little foggy for the coming year. It gets foggier still in the out years. And I have a great deal of respect for the professionalism and talent of the ministry officials that prepare these numbers for us. And I can tell you there was no deliberate manipulation of those numbers to change the outcome of the budget other than to exercise prudence and caution.

Mr. Van Mulligen: — I don't have any further questions, Mr. Chair. I think one of my colleagues does, but I would just like to thank the minister and his officials for being here today and answering these questions.

The Chair: — I recognize Mr. Forbes.

Mr. Forbes: — Thank you very much. I just have a couple of questions, and they're regarding the Saskatchewan Pension Plan and the implications it may have, or what's happening with it vis-à-vis the announcements, the new announcements, the increases with the Saskatchewan seniors' income plan that was announced last fall and again in the budget here.

So I'm curious if there's been any discussions with the Saskatchewan Pension Plan folks. Are they finding . . . And I appreciate that there couldn't be any hard data on this because of confidentiality or privacy laws. Has there been any implication on that plan because of the new increases for the income levels for the seniors' income plan?

Hon. Mr. Gantfoer: — Thank you. I was just trying to make sure that we're understanding the question, because I think there's two components into it and I don't want to . . . You know, there's the seniors' income plan which is more a plan that is looked after under Social Services, as I understand it. And so that would be maybe the more insightful opportunity to ask the specifics of the seniors' plan.

In terms of the Saskatchewan Pension Plan, that is certainly looked after through Finance. And there has been some discussion about raising the threshold of that plan. There's been the recommendation of the Sask Pension Plan board of directors to increase that threshold from the current \$600 to something more, \$2,500, and then potentially incrementally adding \$100 a year after that.

I may also indicate that when we had the Western premiers' joint cabinet meeting a few weeks ago in Vancouver, one of the topics was the concept of developing a Western Canadian pension plan program, similar to what the Saskatchewan plan has got a great deal of experience in.

[16:30]

And so there are those discussions that are going to occur in terms of seeing that if there would make some sense in building a greater pool, if you like, by potentially providing a plan that would have similar objectives to the Saskatchewan Pension Plan for Alberta, Saskatchewan, and British Columbia. So that's in just a very initial forms of discussion as a result of that joint cabinet meeting in Vancouver a few weeks ago.

Mr. Forbes: — Thank you. And I appreciate this is sort of maybe a bit of an obscure discussion, but it's been one I've been following for a couple of years. And I understand that question's for Social Services, and I will pursue that at that time.

But I'm really interested in the Saskatchewan Pension Plan because in many ways, the groups of people that it serves, particularly older women with low incomes, are affected by both. And there's the impact of increasing the income levels that happened through Social Services, which is a welcome thing. But the impact may be because of the income that these folks are getting now from the Saskatchewan Pension Plan may in fact be lost through clawbacks.

We know this happens occasionally with GIS [guaranteed income supplement] and other senior income programs, that in fact if they have income, they may lose it. And I guess the question is, I don't know if you could actually know that because this would be under privacy or income tax rules, but you may be getting . . . And I wonder if the folks in Kindersley are getting a little bit of feedback or some questions about, gee, what's the implication? Are there things we should be doing differently so that we can take advantage of both programs?

Hon. Mr. Gantfoer: — Yes, I think the member is right in some ways. And if we think of the history of the Saskatchewan Pension Plan, it was initially introduced as a vehicle for very modest investments on behalf of people staying at home, and not really actively in the workforce.

And so that's changed a bit over the years, and certainly the request of the board of directors to increase the threshold is recognizing that there are a number of people of very modest means who are unlikely to go into the investment brokers or the banking institutions where similar plans are available — I might say in fairness to them, even at very modest investment amounts — but they find that the vehicle of the Saskatchewan Pension Plan is preferable.

You know, this is a locked-in, transferable pension that stays with the client, but they can't take the benefits out until the retirement requirements in the plan — specifically the exact number I was searching for — but there are those sorts of things that then indeed have a plan in place. And a further part of it is the ability of the flexibility so that employers potentially can contribute as well. So we think it's an important vehicle.

It would seem that our neighbouring provinces to the west have looked at the concept and the merit of a provincial or, you know, a Western Canadian plan that we're interested in, and certainly have suggested that we would be willing to share the experience that we have by operating the Saskatchewan Pension Plan very successfully for a good number of years, but it's in active discussion and consideration by the government.

Mr. Forbes: — I had this interesting conversation, and what it is actually, I was quite heartened by it, was at a luncheon for folks living with disabilities. And I was raising this concern with some financial planners, and they knew of what I spoke. And I thought that was kind of interesting because they were doing some planning, financial planning, with folks of modest means. And they were raising this concern, and I was asking them, well what can they do — here they are, they've done the right thing, they've put away a little bit of money each year, each month to have some sort of pension, and they've come to a point where they realize was that the wisest thing that we could have done.

And what they've been suggesting and I would wonder — you don't have to give me an answer today — but what they've said as a recommendation is that they're making to many of their clients is using the TFSA [Tax-Free Savings Account] as a way to shelter some of their income, particularly from the Saskatchewan Pension Plan so that they could take advantage of the seniors' income plan and not lose any of their benefits or what they've been saving for.

And so I don't know if the ministry's considered that or would take that as something to think about, particularly if you're talking in Western Canada. I think this is something to take into consideration because we want to make sure seniors who have modest incomes, that they take full advantage of all the programs they can, and when a new program comes out, we can seize the opportunity to make the most of it.

Mr. McGregor: — If I can just make one or two comments. The member's exactly right. The tax-free savings account program will be perfectly situated for lower income people that are reaching the thresholds on SIP [seniors' income plan] and other lower income programs. And part of the discussion that's going to occur with Western provinces and with our own Saskatchewan Pension Plan is irrelevance of the tax-free savings account and its interaction with the current \$600 limit

that you can contribute without having earned income.

So the member's exactly right. And it's something we're going to be looking at.

Mr. Forbes: — Thank you very much to the officials. And I hope, if you could raise it with the folks at Kindersley, I think these are good programs and people are trying to do their best when they reach their senior years. And we want to make sure that they can do that.

So with that, thank you. I don't know if other folks have questions, but I'm good.

The Chair: — Thank you, Minister, and to your officials for appearing before the committee this afternoon. Seeing no further questions at this time, I'd ask that a member move that the committee adjourn.

Mr. McMillan: — I so move.

The Chair: — It's been moved by Mr. McMillan. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — That's carried. This committee stands adjourned.

[The committee adjourned at 16:37.]