

LEGISLATIVE ASSEMBLY OF SASKATCHEWAN
Fifth Session — Eighteenth Legislature

May 9, 1978

EVENING SESSION

COMMITTEE OF FINANCE — DEPARTMENT OF FINANCE — VOTE 11

ITEM 1

MR. R.L. COLLVER (Leader of the Conservative Opposition): — Thank you, Mr. Chairman. First of all, I would like to start out by asking the minister, because his officials are not here and so we will wait until his officials arrive before we get into any of the especially good points that the minister may want to answer with his officials around him. I would like to ask him, in his Budget speech, he announced that he was adding to the provincial debt in the current Budget year, some \$438 millions. Has the minister worked out at all the total provincial debt that will occur after giving effect to all of the debt that the government has incurred up to March 31, 1979?

HON. W.E. SMISHEK (Minister of Finance): — Mr. Chairman, I don't have the exact figure in front of me. The total amount I think, our debt is somewhere in the order of \$1,600 million.

MR. COLLVER: — Oh, Mr. Minister of Finance, that is not the debt at all. In the Budget address there are some statements and I am sure the minister brought his own Budget speech with him and there are a number of items in there and it indicates that, as of March 31, 1977, the total funded debt is \$1,425 million.

MR. SMISHEK: — What page?

MR. COLLVER: — Page?

MR. SMISHEK: — What are you reading from?

MR. COLLVER: — A yellow sheet. (Inaudible interjection) His Budget speech has a list at the back of it of where the funded debt is, I am sure the minister in writing the speech, will know where to look to find the funded debt. (Inaudible interjection) Well, all right, I will find it myself, that's . . . (Inaudible interjection). Page 61, Debt Transactions for 1977, Funded Debt, \$1,425,603. The minister also announced or stated in his Budget speech that in the year March 31, 1977 to March 31, 1978, the debt increase would be some \$398 million. Would you like me to find that page for you, Mr. Minister? Or would you agree with that number? Do you agree with that number? \$398 million? The minister also announced that there would be an additional debt up to March 31, 1979 of \$438,000,000. Does the minister want me to give him the page on that? Or would he be able to accept that number? Do you want the page, Mr. Attorney General? O.K., that's good. Under Capital Financing, page 34, the Minister of Finance says that they will require \$437.9 million from other sources. That's the additional funded debt for this budget year, is that correct, Mr. Minister? He's nodding his head, yes. He also says on the same page . . . I believe it's the same page . . . perhaps it's another page. Yes, here it is. Two paragraphs from the bottom it says; I'd like to review briefly:

Provincial financing arranged during the year '77, the province borrowed a total of \$397.5 million in 1977.

May 9, 1978

Is that \$397.5 million, Mr. Minister is that . . . when you say 1977, is that for year ended March 31, 1977, or is that for the year from March 31, 1977 to March 31, 1978?

MR. SMISHEK: — I believe it was for the calendar year.

MR. COLLVER: — For the calendar year? Could the minister advise us, the exact amount then that was borrowed for the period from April 1, 1977 to March 31, 1978? Do you have that statistic? You must have that number in front of you.

MR. SMISHEK: — I don't have it in front of me. I wonder if we can answer that question as soon as the officials get here?

MR. COLLVER: — Unfortunately, Mr. Chairman, my initial opening remarks to the minister are dependent upon his providing us with the information as to what the borrowing total is, effective the end of this budget. After all, that's what we're talking about in speaking about these estimates and these finances, is what is going to happen for the period April 1, 1978 to March 31, 1979? And therefore what will the position be as of March 31, 1979? Now, the minister has provided us with the calendar year, 1978 so I'm going to say and I think the minister has agreed to provide this information to us, I suppose, as soon as his officials are here. I notice they are coming in now. Perhaps, Mr. Minister, you might ask them that question. They may have it just at their fingertips. What were the additional borrowings in the year ended March 31, 1978?

MR. SMISHEK: — Mr. Chairman, first of all in the case the hon. member asked for, the period April 1, 1977 to March 31, 1978. I might inform the hon. member that between January 1, 1978 to March 31, 1978 there were no borrowings. So the figure is the same.

MR. COLLVER: — Mr. Chairman, the figure is the same did you say? Maybe this would be too tough a question for him to answer but we would certainly appreciate it. I wonder if the minister could tell us how much did the government of Saskatchewan owe in funded debt as at March 31, 1978, the total number?

MR. SMISHEK: — . . . for March, for the period March 31, 1978. We will get them to you.

MR. COLLVER: — As at March 31, 1978, you must have that number just right there at your finger tips.

MR. G. H. PENNER (Saskatoon Eastview): — Perhaps I could help the minister and give him the answer; it has to be close to \$1.8 billion.

MR. SMISHEK: — I wonder, Mr. Deputy Chairman, if we could have that question stand and I will have our officials do the calculating and will be glad to provide the hon. member with the total.

MR. COLLVER: — Mr. Minister, I am going to presume for the sake of my few brief remarks for a starter, that what he said earlier, that the number that he has given us for the calendar year is identical to that for the fiscal year. Is that what you said, Mr. Minister, am I correct? Is that what you said, that the number of \$398 millions of dollars is the amount of additional borrowings that you reported in your Budget Speech for the calendar year 1977, that that would be the same as the additional borrowings between the period March 31st, 1977 and March 31st, 1978. You said that would be identical; is that correct?

MR. SMISHEK: — It will be less \$150 million because the money was borrowed for the previous quarter and if the hon. member looks at page 61 of the Budget Speech he will note that the first two issues that were borrowed were prior to that period.

MR. COLLVER: — So what you are saying to us is, and then you said there was no borrowings for the period from the 1st of March to the 31st of March, is that correct?

MR. SMISHEK: — January 1st.

MR. COLLVER: — Yes, January 1st. So then therefore it would be \$198 less \$150, is that it?

MR. SMISHEK: — Mr. Deputy Chairman, in the case of the gross position, if the hon. member looks at page 60, \$1,725,497,000.

MR. COLLVER: — What page is that, Mr. Minister?

MR. SMISHEK: — Page 60, at the bottom.

MR. COLLVER: — So the gross amount, what would you take off of that, Mr. Minister, to come to your funded debt? Anything? . . . All right, it doesn't matter.

MR. SMISHEK: — Well, if the hon. member looks at the other page he will note the other figure of \$1,425,000,000 is the funded debt.

MR. COLLVER: — No, as of March 31, 1977, Mr. Minister. What you are giving me is the March 31, 1977 but what I am looking for is March 31, 1978. Mr. Minister, I quite frankly, cannot believe that the Department of Finance and the officials you have here and the controller of the government of Saskatchewan cannot tell us the amount of money that is owed by the government of Saskatchewan as of March 31, 1978. I just can't believe it. Surely, Mr. Minister, that is a number that you have right in your books, right handy in its place. Surely, you must have recognized that that question would be asked?

MR. SMISHEK: — Mr. Chairman, the director of the Investment Branch is on the way over and we would be glad to provide the hon. member. We have to make some calculations.

MR. COLLVER: — I see. So what you are saying is that you, as the Minister of Finance, do not keep a running total on a month to month basis of how much money the government of Saskatchewan owes in funded debt. Is that correct?

MR. SMISHEK: — No, we have the figures on a regular basis. I just haven't got them here at my fingertips. The director of the Investment Branch is not here at the moment, but we will get the answer to the hon. member.

MR. COLLVER: — Mr. Chairman, I didn't ask the minister whether his official had it. I asked him whether he, as Minister of Finance, is provided with the total obligations of the government of Saskatchewan on a month to month basis?

MR. SMISHEK: — Mr. Chairman, I can get those figures at any time from the department, at any time, on request. I am not the bookkeeper for the government.

MR. COLLVER: — Mr. Chairman, I sincerely hope that you let me complete this line of questioning. I am sure the member for Saskatoon Eastview (Mr. Penner) will have a great deal to say and we will certainly turn it over to him and let him say whatever great numbers that he has been able to acquire.

Mr. Chairman, first of all I would like to suggest that one of the reasons that the government of Saskatchewan continues to go deeper and deeper into the hole, is the fact that the Minister of Finance, for the government of Saskatchewan, has just stated in this Assembly, today, that he doesn't even know on a month to month basis how much the total debt of the people of Saskatchewan is. Now, that is not a bookkeeper, Mr. Minister of Finance. Mr. Chairman, that is just merely good common sense for a Minister of Finance to know the total amount that the government owes.

Now, Mr. Chairman, I would like to take what the minister has said here, tonight, put those numbers together and I would suggest to the Minister of Finance that if you add the factual numbers we have in front of us, plus what you have provided here tonight so far, which is nothing, but I would like to suggest that you will be at least \$2,150,000,000 in debt as of March 31, 1979. Would you object to that figure, Mr. Minister?

MR. SMISHEK: — Mr. Chairman, I can't confirm the exact figure but that is fairly close. I don't know the point that the hon. member is trying to make because if the hon. member also compares our borrowings and our debt position with that of other provinces he will find that we have a per capita debt that is, I think, the second lowest in Canada.

MR. COLLVER: — Mr. Chairman, I would like to now, just suggest to the minister, that what I was getting at, if the minister takes \$ 2,150,000,000 as the total debt load of the people of the province of Saskatchewan as of March 31, 1979 which gives effect to the minister's borrowings, that you will find that the per capita debt in the province of Saskatchewan therefore, will be in the range of \$2,250. Now certainly the minister can compare that to some other provinces. Certainly he cannot compare it to the province of Alberta where there is no debt. Certainly he cannot compare it to the province of Prince Edward Island where there is no debt . . . (Interjection) . . . zero, well, it is not applicable then and Prince Edward Island with those few people down there, perhaps they owe all the money to the federal government, I don't know. But according to the statistical bulletin that I saw, the two provinces that weren't applicable in calculating per capita debt were Prince Edward Island and Alberta, but the rest of them were indicated. Then the minister is quite correct that Saskatchewan has a relatively low per capita debt. I think the people of the province of Saskatchewan want the government of Saskatchewan to have a low per capita debt. What we are trying to suggest here tonight, is, Mr. Minister, I am going to draw your attention and draw you through a couple of analyses right in your own Budget Speech and ask you to comment on these analyses. March 31, 1971 which was three months before the NDP came into power the per capita debt in the province of Saskatchewan was approximately \$800. Per capita debt, given effect of this budget \$2,235. Triple in eight years. Per capita debt tripled in eight years in Saskatchewan. Now, Mr. Minister, you might think that that's not too unreasonable given the level of inflation, given the increased activity in the government of Saskatchewan and you might say that that was a pretty rational statistic. However, March 31, 1977 in your own Budget, the per capita debt in the province of Saskatchewan was \$1,355. For which the minister was accorded a double A rating by Standard and Poor in New York. Given effect to the borrowings of the government of the province of Saskatchewan in this Budget, the increase per capita debt in two years is

almost doubled. In two years. Now given that line of projection, Mr. Minister, and given the economic inefficiencies of your government in terms of borrowings and in terms of borrowings on the foreign markets and in terms of additional costs and I am going to get to that in a moment, in terms of additional costs due to those foreign borrowings and carrying that projection forward one could anticipate that at the same kind of fiscal management we're carried on for the year 1980 that the per capita debt in Saskatchewan would double in one year. Now, Mr. Chairman, I notice that the Minister for the DNS in the back row is out of his seat, I notice he is making a number of wonderful sounds like planes crashing. It is very interesting that he would make these sounds just as we were talking about the increased per capita debt in Saskatchewan being doubled in two years. The Minister responsible for investing in a number of corporations in the province says, compare that increase to other provinces. I suggest that that minister get those statistics and find out whether other provinces have doubled their per capita debt in the last two years. You will find that if you take the rate of growth of per capita debt, that Saskatchewan leads the pack, in two years. From March 31, 1977, which began the government of Saskatchewan's incursion into the private sector to the tune of hundreds of millions of dollars at no return to the people of Saskatchewan, the minister will find that the per capita debt is the fastest growing in Canada. It is the only per capita debt that has doubled in the last two years, the only one, Mr. Chairman.

Now, where are the benefits that the minister refers to? Oh, yes, we are going to have a few yelling from the chairs. I hope the Minister of Industry — no, I keep forgetting — the former Minister of Industry, the minister for Kelsey-Tisdale. Oh, here we are, we're going to go with the — Mr. Chairman, we're going to go now with the magic words of the NDP. Here we go again with the magic words, Ontario, Alberta, Manitoba, those are the three magic words. They never use the magic word, please, or the magic words, thank you. Those magic words aren't in their vocabulary. All they are doing is using these magic words time after time. Why don't you stand on your own two feet, Mr. former Minister of Industry, why don't you stand on your own two feet and ask for the problem — oh, yes, we're going to jump on them now. The fact is, Mr. Chairman, that the per capita debt has doubled in two years and it is the fastest growing debt in our country by a long shot, by a country mile. And the people of this province are concerned about that growth of debt.

Now, Mr. Chairman, you might wonder why, why would anyone be concerned about the growth of the per capita debt. The government says, well, we've got all these additional services. We've got all these additional things that people can do in Saskatchewan. I suggest that the minister or the people of Saskatchewan examine the interest cost alone, the interest cost with reference to the government of the province of Saskatchewan under and I notice that it's nicely buried under a nice subsection called Debt Redemption, Sinking Fund and Interest Payments. You know, it's not in the Department of Finance, Mr. Chairman, but I suppose since it is interest on money that one could mention that in the discussions of the Department of Finance. But if one looks at it, the comparison between the two periods 1978 to 1979, the estimated interest cost has jumped from \$77 million to \$129 million, an increase in one year of some \$60 million or \$50 million, I'm sorry.

Now, Mr. Chairman, one can talk about billions of dollars and millions of dollars; the minister does it all the time. He talks about how wonderful these billions of dollars are going to mean to the people of Saskatchewan. I just want to make something aware to the Minister of Finance that he is not aware of and has not obviously been aware of as to how much a billion is. A billion seconds have elapsed since the end of the second world

May 9, 1978

war, a billion seconds. A billion minutes have elapsed since 40 years after the birth of our Lord. A billion hours have elapsed and man wasn't even an amoeba, that's how much a billion is, Mr. Minister and you increase the borrowings of the people of Saskatchewan in a two year period of almost a \$1 billion and you double the debt load of the people of Saskatchewan in that same two year period with a corresponding increase in interest cost, you are depriving the people of the province of Saskatchewan of services that they require. Now the increased interest on this debt load of \$50 million, you might go through your Budget, Mr. Minister and find out just what you have done with that \$ 50 million increase in debt. Here is the kind of thing which you could have done.

You could have increased, for example, your spending to local municipalities by \$50 million. You could have allocated to local governments and local school boards an additional \$50 million to do with what they see fit and how they would like to see their local communities develop. You could have reduced taxation by \$50 million: Now the minister was very proud in his Budget speech, Mr. Chairman, about his \$85 per head so-called reduction in taxation. He was very proud of this. He then proceeded within one month, one month to increase Sask Power rates and Sask Tel rates within one month of the announcement of his Budget, the actual value of the bills provided to people in these areas doubled and tripled in some cases, quadrupled.

Now we in this House have brought this to the attention of the minister before, the minister obviously and apparently wasn't concerned about it, he wasn't concerned about the psychology of his Budget in an inflationary period because at the same time that he was introducing this so called Budget that would improve the economy of Saskatchewan, he was leaping on the people of the province with their power rates and with their telephone rates and with their bills, so that some people reported as high as \$300 for one household, \$360 gas bill in one month. That kind of thing for one house. Now admittedly it was a catch-up, admittedly it was a new policy of SGIO, admittedly there were increased rates and admittedly it was colder this winter and therefore the rates, the total cost went up.

But that occurred at precisely the same time that the minister issued his Budget and he have drawn this to his attention before. \$50 million increase in 1978-1979 an increase estimated cost of that increased borrowings. Think about what you could have done with it, Mr. Minister. \$ 50 million dollars is more than the total cost of medicare in Saskatchewan. Yes, more than the total cost of medicare, not more than the total cost of hospital care, but more than the cost of medicare. \$50 million dollars!

Mr. Chairman, we believe that the Minister of Finance and the government of Saskatchewan have committed the people of the province of Saskatchewan, but more specifically the children and grandchildren of the people of Saskatchewan, to increasing penury because of their increased debt load within the last two years.

Mr. Chairman, we think the government in the province of Saskatchewan has been irresponsible in its borrowings. It has been irresponsible in its borrowings abroad; it has been irresponsible in its decisions to increase its level of borrowings to such a huge extent in this short space of time.

I predict, Mr. Chairman, that as a result of the Saskatchewan government's increased debt load, within one year Standard and Poor will reduce the government of the province of Saskatchewan's credit rating and credit standing.

The capacity of the people of the province of Saskatchewan to repay this debt load will become increasingly clear and increasingly low because, Mr. Chairman, the Crown corporations for which they have committed these huge sums of money are losing income and are losing money. This has been reported, Mr. Chairman, at every single Crown corporation meeting that I have been made aware of. Corporation after corporation after corporation has reported a loss . . . (interjection — inaudible) . . . Yes they did too, and a very large one and substantial and healthy one as well.

Mr. Chairman, there are increasing losses on these Crown corporations. The fact is that, in order to cover this, the minister has had to raise the rates through taxes by such a significant extent that they are a terrible burden on the people of Saskatchewan, especially those in lower income groups and senior citizens. They are a terrific burden on business in this province. We are losing industry in the province of Saskatchewan because of our extra high costs in these areas. Because of this, Mr. Chairman, the Minister of Revenue has had to close his eyes to serious situations as a result of taxation differences between the province of Alberta and the province of Saskatchewan and all of this — and all of this, to serve an economic theory put forward by the members opposite, that somehow, in some way, the people in the province of Saskatchewan are going to benefit from the acquisition of a piece of paper, evidencing ownership of holes in the ground for potash, of holes in the ground for oil wells, that this piece of paper for these existing assets, that somehow they are going to benefit. All of this increasing debt charge because of that. All of this increased taxation because of that.

Mr. Chairman, I would like to emphasize that the government has been irresponsible in its borrowing. We warned the government the year before last about the increase of one-half billion dollars in terms of Crown corporation borrowings, \$250 million each; they went up two years ago. Members to my right voted in favor of that little bill. (Inaudible interjection) Yes indeed, yes indeed. Those two little bills where they raised Sask Tel's borrowing power and they raised Sask Power's borrowing power by \$250 million. We opposed it and you decided to let them go ahead with it. Then last year, Mr. Chairman, last year we watched the same Crown corporations, the same Crown corporations again bring in an act to this Legislature to increase their borrowing capacity and their borrowing power by another billion dollars and again, the members to my right thought that was not a bad idea. (Inaudible interjection) Well, I think if you check the record, Mr. Leader of the Liberal Party, you will find that that is true. I think if you do check the record as I recall it, you supported the government in this move to increase the borrowing and we objected to it. The fact is that this increased borrowing is a terrible burden on the people.

MR. SMISHEK: — First of all, the hon. member asked the question as to the total debt for the period ending March 31, 1978. The figure for March 31, 1978, is not down yet but I will give him the figure for February 28, 1978—the exact figure — \$1,721,322,611 less the equity in sinking funds of \$198,748,095 or a total of \$1,522,574,516. I trust the hon. member, who has asked the question, will have taken the figure down because he was very interested in it. We do have the information. As I told the hon. member, I am not the bookkeeper, I am the Minister of Finance and there is a difference.

Mr. Chairman, the hon. member made a number of allegations and I would like to answer him.

First of all, he referred to the total debt of the province as of March 31, 1971 and then

May 9, 1978

he compared it to March 31, 1977. There has been an increase from \$800 per capita to \$1,355 based on his own calculations. I am not confirming or denying those figures, but on the assumption that they are relatively close, I draw the hon. member's attention to that for the period 1971 to 1976, the farm income more than tripled in Saskatchewan during that period and the personal income in Saskatchewan also tripled by more than three times. Now, we think that that is a good thing for the people of Saskatchewan. I've got to use my own references because the hon. member is going to try to say that these are concoctions, but I bring the hon. member to an article that appeared on March 11, 1978 in the Regina Leader Post written by Ed Owen, 'The province's debt total tells a lot about our finances.' Mr. Owen goes into some detail, saying that the current government debt is approximately \$1.6 billion. Then he makes the comparison, province by province. He goes on to say that a rough comparison done by a financial company in New York shows Saskatchewan with the lowest per capita debt of any province except Alberta, which has no debt, and possibly Prince Edward Island. I guess he didn't have the figures because I believe that Prince Edward Island has a higher per capita debt than the province of Saskatchewan.

Now, as of March 31, 1977, Saskatchewan's per capita debt was \$1,153. The latest figures place it at \$1,478. The other provinces, as of March 31, 1977, were as follows: Nova Scotia, \$2,572; British Columbia, \$2,657; Ontario, \$2,691; New Brunswick, \$2,798; Quebec, \$3,202; Manitoba, \$3,614 and Newfoundland, a Conservative province, \$3,614. Saskatchewan's debt actually breaks down into two, that of the government, which is small and that of Crown Corporations. The article goes into some length explaining our favorable position insofar as borrowings are concerned.

Mr. Deputy Chairman, the hon. member makes reference that we have had a rating. We have gone up from a single A to a double A. He now says that in one year's time we will lose that position. I would be prepared to make a small bet with the hon. member. So long as the New Democratic government is in power we will keep the double A and perhaps improve that position. It is conceded by all kinds of people that the Saskatchewan economic position and particularly the financial position are in good shape.

Mr. Deputy Chairman, I bring to the hon. member's attention an article written by McLeod, Young and Weir. Presumably he has heard of them; they are an investment group in eastern Canada. They make an analysis of our 1978 Budget. I received it on March 28; it is the current issue dated March 16, 1978. There is an interesting reference; the debt interest — and this is about Saskatchewan, it makes a comparison with Ontario and the government of Canada — the debt interest represents less than one-half of 1 per cent of the total budgetary expenditures in Saskatchewan. Comparable figures are 8.5 in Ontario, good old Tory Ontario; this is their article.

AN HON. MEMBER: — Nonsense.

MR. SMISHEK: — Nonsense? (inaudible interjections) Just hold it; just hold it. I would accept. . .

MR. DEPUTY CHAIRMAN: — Order, order!

MR. COLLVER: — Mr. Deputy Chairman . . .

MR. DEPUTY CHAIRMAN: — What is your point of order?

MR. COLLVER: — Mr. Deputy Chairman, on the point of order, the minister obviously hasn't tabled this document. If he wants to table the document, let's see it. He can't read from a document like that.

MR. SMISHEK: — Why can't I read from a document like that? Mr. Deputy Chairman, I will be glad to table the document . . . (inaudible interjections). . .

MR. DEPUTY CHAIRMAN: — Order, order!

MR. SMISHEK: — Mr. Chairman, I am answering the hon. member's allegations.

MR. DEPUTY CHAIRMAN: — Is the minister prepared to table the document or to accept responsibility for it?

MR. SMISHEK: — Mr. Chairman, I would be glad to table the document . . . let me finish . . . compared to 8 1/2 per cent in Ontario, 12 per cent for the federal government and incidentally that has gone up since then to 14 per cent. The article carries on:

This budget reflects the strong financial position of Saskatchewan. To have the ability to cut taxes, increase many of the benefits to individuals and local governments and create jobs while holding down expenditure increases and increasing public borrowing minimally is, indeed, an enviable position. Most other provinces, of course, do not have large reserves of oil, natural gas and uranium nor enough potash to supply the world's needs for the next 3,000 years. However, a somewhat negative outlook for the economy partly offsets the strong financial picture. The province continues to be heavily dependent upon agriculture for the bulk of its domestic products and the prospects are somewhat gloomy for the sector again this year. The use of revenues from non-renewable resources to stimulate the economy, in the short run and to ensure its development and diversification in the future is a prudent and an obvious step.

The article continues in that kind of a vein. Mr. Speaker, I refer the hon. member to another article which appeared in the Leader Post on April 13, 1978, from the Investment Dealers' Association of Canada. Mr. Neewasser(?) who was in Regina. What did he say? Let me quote.

He says:

He's impressed with the sound management of this Social Democratic government.

SOME HON. MEMBERS:— Hear, hear!

MR. SMISHEK: — Mr. Speaker, he carries on:

He told Finance Minister, Mr. Smishek, in attendance, that he has produced an excellent Budget for which he should be complimented.

And the article carries on in that kind of a way. This has been the reaction all the way through to the Budget that we presented, Mr. Speaker.

Back to the borrowing, Mr. Speaker and the debt. The hon. member makes his

comparison to what the debt was a year ago and to what it is this year. Obviously, the position of the Conservatives that we shouldn't expand our other utilities including Sask Tel. They would keep the expenditure down to a minimum. Their position would be to drag Saskatchewan down to a depressed province. We believe, Mr. Speaker, that it is good to borrow. We believe it is a wise move to borrow, to build and to expand for the people of Saskatchewan. And as he knows, very well, that these debts that we are acquiring are to expand our utilities, like Sask Power, Sask Tel and other Crown corporations. These are not borrowed for the ordinary operating expenses of the government. We do not borrow for building roads. We do not borrow for building schools or hospitals. These borrowings are self-liquidating. Everybody knows that, Mr. Speaker. The only thing that the hon. member has is problems of comprehending the difference between self-liquidating purposes, Crown corporations, to create jobs to expand our economy and the ordinary expenditures. The hon. member makes allegations that the Crown corporations, all of them, are losing money. I invite the hon. member to check the record. The Crown corporations, in total, made a profit of \$50 million during last year, Mr. Speaker. Made \$50 million which paid the debts, Mr. Speaker, that they have accumulated and the interest as well, this is a net profit to the people of Saskatchewan. The only corporations that lost money are Sask Forest Products and SEDCO. All the others made money, Mr. Speaker, all the others made money.

Mr. Speaker, we are proud of our financial management in the province of Saskatchewan. The management of the financial resources including our debt is the envy of every province in Canada, Mr. Speaker. The hon. member said that he if we did not borrow then we could have somehow provided an additional \$50 million to local governments. Nothing can be further from the truth. He can look at page 110 which sets out the debts that there are under debt redemption and sinking funds. It is true that the servicing of the debt is \$129 million, but, Mr. Speaker, by increasing it by \$50 million that would not have provided the Budget with any more money. That would not have provided more money to local governments and municipalities because that debt, that additional debt is going to be taken care of and paid for by the Crown corporations, not from the taxes that are collected on such things as E & H tax or the personal income tax or other taxes that we collect, and everybody knows that. The only person that doesn't understand the difference is the Leader of the Conservative Party. Now anybody in this province who takes advice from the Leader of the Conservative Party on financing, he was telling us about the billions and billions and what a billion is. Well perhaps somebody gave him that lesson but he apparently doesn't really in his own mind, or at least in his financial dealings, isn't even able to account for \$1.2 million, we can account for the billions, Mr. Speaker.

MR. G.H. PENNER (Saskatoon Eastview):— Mr. Chairman, It was amazing to me that the Minister of Finance when asked what I thought was a reasonable and simple question by the member for Nipawin, was unable to come up with any kind of figure whatsoever with regard to the total debt that his province has, and it didn't take very much calculation to arrive at a figure that was extremely close to the one the minister provided after consultation with his minister and other officials.

It is interesting to me that neither the member for Nipawin nor the Minister of Finance pointed out that in one year the provincial debt increased by 47 per cent, from \$957 million to \$1,725,000,000; and if you add on the \$370 some odd million projected in the debt here, it is going to be significantly more than that in just a little better than one year.

Now the minister has made a great deal and did particularly Mr. Chairman, in his Budget address with this concept of cyclical budgeting. Every time he wants to defend something that looks a little bad he wants to go back and look at the concept of cyclical budgeting. And I invite the minister and other members of the House to consider the provincial debt from a point of view of cyclical budgeting and I don't give two hoots what the debt is per capita elsewhere in Canada. The fact is that it is up 47 per cent between 1976 and 1977 and when you include the 1978 figure in and compare that to 1976, it's going to be very near 100 per cent, the total debt of this province in a 24 month period.

It's interesting to note too, Mr. Chairman, when you talk about debt, talk about cyclical budgeting, that in a one year period, and I invite the minister to examine the Budget that he brought down the year before and compare it to the Budget this year, the interest alone on debt payment will triple in a year from \$2.3 million to \$6.7 million. Now the minister talked about the income of the province tripling in three years. Here we have the interest on debt alone tripling in one year and I invite the minister to comment with regard to that and the business of cyclical budgeting. And if he wants to go back and compare the provincial debt back into 1975, 1974 and 1973 it only makes the figures that much worse because of the tremendous increase that the people of Saskatchewan have had to face as a result of financial mismanagement on your part during the past couple of years.

Now with regard to the question of the Treasury Benches in my opinion being an inefficient watchdog of public spending. I'd like to make a couple of other points. And I am frankly, not of the view that it's so much the people in the department because having had an opportunity to work with them in a good deal of detail in the last couple of years I have a good deal of respect for those people. But the policy of the Treasury Benches, I am not particularly impressed with at all. Let's leave the debt picture for a minute and let's look at total operating. Operating expenditures for a minute. Government spending is up \$1 billion in five years. Again, let us take a look at this so-called cyclical budgeting that the minister likes to address himself to. Up \$1 billion in five years. An average increase per year of 22 per cent in government spending. If you want to take a look at the increase per person in Saskatchewan in that five year period it is up \$1,050 per person for government spending in a province where we have had almost no increase whatsoever in terms that the people the government has got to serve.

Let's take a look at income tax. The minister in his reply to the member for Nipawin a moment ago talked about how wonderful the government has been because we don't have to borrow money in order to pay for schools and hospitals and highways. Well, I want to say to the minister, it is no wonder that we have not had to borrow any money because that minister and that government have ripped off the people of Saskatchewan in terms of tax dollars during that period of time. The income tax has increased from 37 per cent to 58 1/2 per cent in a five year period. The minister is going to stand and say, 'yes, but this year we have decreased the tax.' Well, anybody can decrease the tax if you get it high enough in a period of time you are bound to be in a position where somewhere because it is expedient politically you can decrease the tax. And you drop it from 58 1/2 per cent to 53 per cent and I'll tell you right now you will drop it again next year because you are afraid to go to the people with the income tax rate the way it has been. We could troop in all kinds of people into this Assembly who have just filled out their income tax who will realize what your income tax has done to the people in this province. You have had the highest income tax rate of any province in Canada and it has increased at a rate faster rate in that five year period than any other province in Canada

including the Maritime provinces, those that are supposedly the underprivileged, the poor. The people of Saskatchewan are the people when it comes to income tax that are the people who have been ripped off.

You know Mr. Chairman, instead of developing policies that would broaden our tax base and provide some relief to the income tax burden that people are having to pay and the sales tax burden that people have to pay and the gasoline tax burden that people have to pay in this province, the government embarked upon a policy of, in effect, driving out any possibility of increasing these other sectors. And all one needs to do is to take a look at some annual reports in order to understand that.

Take a look at the oil industry. In 1969 we drilled 1,200 wells in Saskatchewan and in 1976 we drilled 250. Production in 1969 was 90 million barrels and production in 1976 less than 60 million barrels. The oil industry, there is no question, has had the clamps put on it and is not really a significant factor in our economy. You have picked out a number of holes in the ground that you decided to invest a good deal of money in and you have invested about \$356 million in potash mines, you haven't created one single job as a result of that. No attempt whatsoever as the result of that to diversify our economy. And I submit to the minister that if he had spent or his government had spent \$356 million wisely we may not have to be in the situation that we find ourselves today and the kind of arrogant attitude that that government has taken in order to satisfy its political whims and its political philosophy, might instead have been directed into doing something to resolve the situation that Saskatchewan people find themselves in today, with regard to total government spending and with regard to the total debt that this province faces.

And then we get into the realm that is quite apart from direct taxation and we look at the question of indirect taxation. I have watched with some amazement and a bit of humor the attempts of the minister in charge and the Minister of Finance try to get the government off the hook with regard to what they have done to the people of Saskatchewan in terms of increases in rates for electricity and gas.

Gas rates are up 102 per cent in four years; electricity rates are up 57 per cent in two years. We have had surpluses and the minister talked a moment ago about Crown corporation surpluses in the range of \$50 million. I remind the minister about the statement made by one of his predecessors, that the member for Assiniboia-Gravelbourg read this afternoon, that these utilities were placed there and were to provide a service at cost. They are not providing a service at cost, they are providing a service at cost plus a certain amount of money, which the government is picking up in the form of indirect taxation. I expect that most people of Saskatchewan recognize that.

Sask Tel rates have gone up substantially in the last couple of years. Again, I invite the minister to comment with regard to his concept of cyclical budgeting when you start looking at what has happened to those kinds of rates and the increases that we have had. The minister can't get up and say that those rates are the results of cost and nothing more, when he has just stood up and said that they have produced a profit of \$50 million. Well, the minister mentioned that there are some Crown corporations that lose money and that is right. He mentioned Sask Forest Products and that is a pretty good example, in the period from 1973 to 1976 it lost \$4.5 million. We get some Crown corporations that gouge the people of Saskatchewan because of the excessive rates that are charged and then we get others that the province hangs onto that lose money — SGIO — and the rate increases from SGIO have been horrendous.

I happen to have a piece of paper that I received yesterday, which indicates the insurance premiums paid by Saskatchewan school boards to SGIO. The period from 1970 to 1978 the increase is 394 percent that school boards have had to pay to SGIO. Reasonable rate increases? Combine that with the automobile rate increases that have received such attention recently. There is no question at all but what our Crown corporations have been embarking upon a system of indirect taxation, gouging the people of Saskatchewan.

Now, I combine that with the fact that in my humble opinion the Budget document is really an attempt, in some respects, to mislead the people.

You appropriate \$40 million for uranium development and then the minister in charge gets up and says, but we are not going to spend the \$40 million on uranium development. Now, either you are anticipating the Bayda Inquiry to come in one way or you are anticipating it to come in the other. If you are not going to spend the money take it out of the Budget. If you are going to spend the money get off the proverbial pot and tell the people that you are going to spend the money.

You talk about the telephone rate increases. The Minister of Finance gets up one day and says rate increases are going to be held to 8 per cent; the minister in charge goes out two days later and says the rates are going to be higher than that. Tremendous co-ordination of various members of the Treasury Benches when it comes to the business of Budget and financing and cyclical development. Then on top of it all we have the figures that came out within the last couple of weeks that show the unemployment rate in Saskatchewan is up to 7.1 per cent. We have over 30,000 people in this province that are unemployed and that there are a number of people in that 30,000 figure that are not counted, meaning that the figure is really a good deal higher than that.

I remind the minister of the statement he made in his Budget where he echoed what the Premier had earlier said about jobs today, energy tomorrow. It would be better to say, no jobs and no energy for some time, because of the policy of this government.

I have touched on a number of points and it may be that the minister has a remark or two that he would like to make and I will take my chair at this time, Mr. Chairman.

MR. SMISHEK: — Mr. Chairman, the hon. member before he sat down made reference to our Budget, making reference that was misleading, a misleading Budget. Mr. Chairman, I invite the hon. member to take a look at the numerous news articles that appeared in the Saskatchewan newspapers, the reaction that the Budget had received from the electronic media, the kind of analysis that was done of the Budget by some very noted economists right across the country and newspaper editorials.

Right across this country, our Budget was singled out as the type of a budget that other provinces should follow. I draw the hon. member's attention to an article written by Dian Cohen shortly after our budget appeared. She had nothing but glowing descriptions of the budget, ending up her story saying 'Five more provinces are likely to bring down budgets in the next few weeks. Ottawa is being cute about its plans. Let's keep our fingers crossed that more follow Smishek's lead than McHugh's,' Mr. Chairman.

The Montreal Star, the Toronto Star, The Globe and Mail, every noted journal across the country pointed to Saskatchewan as the budget to follow, yes, including every one of

our newspapers, the dailies, the weeklies and I in fact have a file of newspaper articles including editorials, of what was the reaction. Not only that, the kind of a reaction that we received from all kinds of organizations, from the rural municipalities, from the hospital associations, from the school trustees, from the construction industry, from the Chamber of Commerce, from the Saskatchewan Federation of Labour — right across the country, right across the province, the people were pleased and applauded the budget that we brought down. They applauded us for the tax cuts, they applauded us for taking measures to reduce their cost of living, they applauded us for providing more money to local governments so that the mill rates could be kept down.

Mr. Chairman, the hon. member talked about income tax. Well, Mr. Chairman, the hon. member is not that young or not that new that he shouldn't be able to remember a few things. While it is true that the personal income tax in Saskatchewan was at 37 per cent in 1972 and went up to 58.5 per cent of the Federal tax, but I remind the hon. member the reasons and what happened. Do I have to draw a picture for him that the federal government opted out of medical care, hospital care and post secondary education and transferred tax points to the provinces, not only to Saskatchewan, but to every province? Mr. Chairman, had not the federal government transferred the tax points, had they remained in the health and education field, our base would be 39 per cent. But in addition to that . . . (Inaudible interjection). That's right, it would only be 39 per cent, but in addition to that, there would be the tax cuts which we provided, which is an across the board cut of \$160 plus \$30 for every dependent child and when that is calculated, Mr. Chairman, and at the present rates of 53 per cent which is the rate itself, but when the tax cuts are taken into consideration, our tax rate remains at an average of 49 per cent. I think everybody knows that, except apparently the hon. member for Saskatoon. But I remind him of that and if one day he has some time, I would be glad to spend an hour or so with him to take him through that lesson of income tax because it appears he needs a few lessons on personal income tax. I would be glad to make our staff available so that he will become a better informed critic for the Liberal Party because my experience with him is, that he can't even compare the expenditures and the revenues for the same years, as he demonstrated during the speech he made when he acted as the critic for the Liberal Party.

Mr. Deputy Chairman, the important thing also to note is not just the personal income tax, but other taxes. Take a look, in case of — bar education and health tax. The sales tax remains as the lowest in Canada except for Alberta which does not have any tax. Our gasoline tax is very favorable and, all across the piece when you compare taxes, outside of Alberta which has a lower rate of taxation on its citizens. Saskatchewan comes as the second lowest province in taxing its citizens.

That is correct and I invite the hon. member to take an objective study. Ontario certainly is way ahead of us. You have to take into consideration the medical and hospital premiums and other taxes:

May I also bring to the hon. member's attention — he made reference to the Crown corporations and the way they are gouging people. Well, Mr. Deputy Chairman, in the case of Sask Telephone we have either the lowest or the second lowest telephone rates in Canada. I invite the hon. member to check for himself because that is a fact. We are very often neck-in-neck with another Crown telephone corporation in Manitoba. We are either the lowest or second lowest, depending on a particular year.

In the case of Saskatchewan Power, our power rates are among the lowest; our natural gas rates are very favorable, and that the hon. member knows. What we did this year is

ensure that the power rates are not going to go up in 1978. Telephone rates will be limited to 8 per cent and the same thing in the case of gas rates.

He made reference to government insurance, in particular to the rates that are charged by government insurance for schools. My colleague, the Minister in charge of Government Insurance, tells me that in case of insurance rates for schools, last year the Saskatchewan Government Insurance Company lost \$600,000 on insuring schools. Surely that cannot be a very high rate that they are charging when they have losses of that size.

In the case of automobile insurance, he talks about gouging. Let us take a look at this kind of gouging. Take a 1975 Chev Impala and let us compare the rates: Saskatchewan, \$186; British Columbia, \$333 to insure the same car; Alberta, \$366; Manitoba, a public insurance company, \$192, a little higher than Saskatchewan; Ontario, \$348; Quebec, \$345; New Brunswick, \$326; Nova Scotia, \$310; Prince Edward Island, \$274; Newfoundland, \$402.

Now it is interesting that the hon. member makes no reference to private insurance companies or private corporations that are in the utility field and how they are gouging the people. He chooses to talk about Saskatchewan where we try to provide service to the people at cost. True, we have to make some small profit for expansion purposes.

In closing, Mr. Deputy Chairman, the hon. member made reference to the unemployment situation. I draw the hon. member's attention to the figures which were just published last week. For the end of March, Saskatchewan had the second lowest unemployment rate. It dropped again to 6.4 per cent and by now it is down further, I am quite certain, because April has been a pretty good month. By the time we come into summer there will be areas that we will be again short of certain skilled labor forces.

MR. G.H. PENNER (Saskatoon Eastview): — Mr. Chairman, there are a couple of remarks I would like to make in reply to what the minister has said. The minister did not comment, for example, about the fact that the debt of the province has more than doubled and is up approximately 100 per cent over a 24-month period. He has not commented about the fact that our debt payment has tripled in a year.

I take it that the minister accepts those facts. He, after all, has them in his budget document. I merely want to draw them out as being significant indicators of the direction that this government has embarked upon, a direction that I think causes us concern in the Liberal Party and obviously has caused some concern in the Tory caucus, a legitimate concern and a legitimate concern by the people of Saskatchewan.

The minister can cut it any way he likes about the question of indirect taxation but he cannot argue that Crown corporations are providing utilities at cost when he stood up 20 minutes earlier and said that there has been a profit return of \$50 million. There is just no way that he can argue one way after having made that statement. The claims that we made, that Crown corporations have been providing an indirect source of taxation to the government, we continue to claim are accurate and are there. All one needs to do is look at the figures in order to see it.

I do not doubt that the minister is a little alarmed and a little sensitive about the fact that unemployment rates are creeping up. Again, I am not particularly concerned about looking at our situation and comparing it to anyone else's. It is somewhat understandable that provinces like Ontario and Quebec are going to have high rates of

unemployment because they attract a lot of people into those provinces. We attract virtually nobody here, virtually no one. The increase in population is negligible and so we have the same base. As a matter of fact it is many of our young people who leave Saskatchewan because opportunities are not available here and the drain has been going on for years and years and it will continue. The Minister of Social Services can laugh but he, like everyone else in this House, can think of young people who have left Saskatchewan because the opportunities have not been here for people to get jobs here. So if the minister is sensitive and the Premier is sensitive and the Minister of Social Services is sensitive, I don't have any difficulty understanding that, because you have done nothing in order to try to diversify our economy in order to hold people in this province.

Yes, it's true that our payments from Ottawa have been decreased. I guess it's reasonable to expect that someday Saskatchewan ought to be a 'have' province and maybe someday, with a different government, Saskatchewan will be a 'have' province where there will be an opportunity for diversification and an opportunity for development of the kind of resources that exist in this province so that we will have the kind of employment opportunities and so on that we require.

Insofar as SGIO is concerned, and this is the final comment that I want to make, Mr. Chairman, one of the things the Minister did not note was that SGIO was asked by the Public Sector Price and Compensation Board to return something in the order of just under \$1 million that had been collected in overpayment. Now, nobody can argue that SGIO has been getting by on the skimp. The people of Saskatchewan prepaid over \$1 million and it had to be returned and it is that particular situation that has prompted the minister to be a little upset about it. The fact still remains that school rates have increased by just under 400 per cent in the period between 1970 and 1978. If that is something that SGIO is unable to handle then it would be well for SGIO along with, for example, the Saskatchewan School Trustees' Association, to take a look at the plan that's been developed in Manitoba simply because of the problem that they have had that has been similar, in order to cut down the kinds of increased rates that the taxpayers have had to fund, whether it's directly or indirectly.

MR. SMISHEK: — Mr. Chairman, the hon. member again referred to the public debt. Well, the figures are there for everybody to see. He says that he obviously can see that there is an increase. That's a fact. He gets his information from the Estimates that we publish. There is nothing to hide. We concede that. So it's a rhetorical question and the answers are self evident.

The hon. member talks about unemployment and about population increases. Well, Mr. Chairman, I draw the member's attention and we have said on a number of occasions that, in fact, what has been happening in the last number of years is that people who at one time during the last Liberal years moved away to Alberta and to British Columbia are coming back to Saskatchewan. The largest group up until last year, 30 per cent of the people who were moving back were moving back from oil-rich Alberta. Then there is quite a sizeable number from British Columbia right now. You know it is no secret, they are coming in and particularly the trades people are coming in by droves from Manitoba because the Tory government is chasing them out and driving them out and they are coming to Saskatchewan to look for jobs. This is the reason that partly our rate of unemployment has increased in the last while. We are glad to have them but, Mr. Chairman, this also is the reason why some of our unemployment rates are up.

Mr. Chairman, I take Saskatchewan and will compare it to any province economically,

outside of the province of Alberta which we concede because of their oil wells, Saskatchewan is a province that is in good financial shape, it's in good economic shape and so long as we have an NDP government that knows how to manage things on behalf of the people, Saskatchewan is going to continue to be a good province to live in.

MR. E.C. MALONE (Leader of the Liberal Opposition): — Mr. Chairman, I would like to ask some questions of the minister in connection with unemployment and I hope his answers will be more satisfactory than the answers I received last night from his colleague, the Minister of Industry. I tried to pursue with the Minister of Industry how many jobs would be created in the private sector as a result of your Budget and as a result of his initiatives and I must say that the answers that were received were less than satisfactory because I don't believe he indicated that a single job would be created because of your Budget or because of his initiatives in the private sector.

Now, let me just say a couple of things.

AN HON. MEMBER: — . . . (interjection) . . .

MR. MALONE: — Well I see the Premier is here. I should welcome him to the Legislature — dropping in, — we are all very grateful.

7.1 per cent of our work-force is out of work as of March 31st. That's 30,000 people. All right, we will accept your figures, 6.4, that's April 31st or the last day of April, is that your figure for the last day of April, 6.4 per cent?

MR. SMISHEK: — The latest figures that were published 6.4 per cent.

MR. MALONE: — 6.4 per cent in my view and in the view of other members in this House is scandalous and unacceptable in a province like Saskatchewan. And I give you the authority for that statement, your predecessor, Mr. Robbins, the member for Saskatoon. Now the minister is quite aware I am sure that over the past few years there has been a gradual increase in Saskatchewan's unemployment rate. Granted it was still probably the lowest or the second lowest in Canada, but it continues to rise. If you go back over the past five or six years you will notice small rises every year, this year coming to a high in March of 7.1 per cent. That's something you are aware of. That's something that you and your government and your department could anticipate, that in 1978 we were going to have a higher unemployment rate than in 1977 or 1976 and so on. Now you bring in a Budget and you very proudly get up in your place and you say we are going to create 5800 new permanent and seasonal jobs in the public sector. Because of your — oh, Mr. Minister; I suggest you read your Budget. Well, let me ask you, of the 5800 permanent and seasonal jobs, is that in the private sector and the public sector?

MR. SMISHEK: — Yes, Mr. Chairman, I draw the member's attention to page 18 of the Budget speech where I said that taken together, Mr. Speaker, 'the capital expenditures of government and Crown Corporation will expand by \$140 million to \$834 million in the coming year. This will mean the creation of an additional 4,400 man years of employment in Saskatchewan'.

Now what that means, Mr. Chairman, that on the government's side, through the various government departments we are putting in money for capital projects like highway construction. The largest bulk of highway construction like virtually all of it is in the private sector. As he knows, the highway budget is by far larger than it has been

ever before. We are building new schools, providing capital funds for school construction. We do not build the schools. It's the private industry that builds schools. We do not have construction crews building schools. We are building new hospitals and expanding hospitals and renovating hospitals; a large capital budget for hospital construction is provided. That construction work is going to be done by the private sector, not by the government. We are building power projects, expanding Sask Tel and there most of the work, in case of the work being done in Sask Tel and the Coronach project as the hon. member knows, we are not doing the construction work. That is contracted out —

AN HON. MEMBER: — . . . (interjection) . . .

MR. SMISHEK: — In Manitoba, no it's in Saskatchewan, Coronach is in the province of Saskatchewan. Mr. Chairman, the work is tendered out. Now the 4,400 jobs that we talk about are man years of employment, is work that is going to be. There will be a handful of those jobs in the Crown corporations themselves, but very, very few. That is going to be work that is really done by the private sector. Then in a case, yes an ESP program, the additional 1400 jobs not working for the provincial government, we are providing money to local governments. They will be employed by the city of Regina, by the school boards, by local governments: that's where the jobs are created because we are providing the subsidies or money rather to local governments to get the work done. So it is really not in the public sector or provincial public sector that these jobs are being created.

MR. MALONE: — I am well aware of your statement on page 18. But I would like the minister to turn to page 35 where it says 'for those seeking work, 5,800 new permanent and seasonal jobs,' Mr. Deputy Chairman. Now is that the total number of jobs in the private and the public sector that your Budget is going to create, that 5,800 number that you gave us?

MR. SMISHEK: — No. Mr. Deputy Chairman, these are direct. Now remember that we have provided more money for the local governments. We have increased the budgets of local governments dramatically. The hon. member will have to concede that, by 45 per cent. That gives local governments more money to spend on capital projects and operating projects. We are providing more money for schools as well as the tax cuts. As well as the tax cuts, this is going to put more spending money into the hands of the consumers. The spin-off from the retail sales and other undertakings by the private industry — for instance, this year when you take the sales tax together with the personal income tax and all the money that is being passed on to the taxpayer, a total of \$145 million tax cut that is provided, that will have an effect of creating more jobs in the private sector. I trust the hon. member at least understands that area of economics, that tax cuts do have a spin-off effect and do create jobs in the private sector. Every economist concedes that and I am sure that the hon. member will concede that as well.

MR. MALONE: — Well, I just have to respond to that personal comment. I don't hold myself out to be an economist and I don't hold myself out to be the expert on the situation in Saskatchewan. I do suggest however, Mr. Minister, if I came in here as Minister of Finance, I would know what the per capita debt was in Saskatchewan.

All right now, I go back to page 35. I ask you, please — yes or no — those 5,800 jobs are they in the public sector, the private sector or a combination of both?

MR. SMISHEK: — Mr. Deputy Chairman, I thought I had explained that. Let me take you through it again. . . (inaudible interjections). . .

MR. DEPUTY CHAIRMAN: — Order, order!

MR. MALONE: — You stated, 5,800 new jobs. I am asking you where are those 5,800 new jobs? Are they in the private sector or in the public sector?

MR. SMISHEK: — Mr. Deputy Chairman, let me take the hon. member through this again. I referred him to the previous page no. 18, I believe it was, where we talked about 4,400 permanent jobs or man-years of employment, which is part of the same number, plus . . . 1,400 in the case of seasonal jobs. Those are largely construction jobs which will be in the private sector. A handful of those 5,800 will be in the public sector but largely in the private sector because the jobs are contracted out for school construction, highway construction, hospital construction, power construction, telephone construction and other areas where we are providing money for expansion programs as well as in local governments.

Now, in addition to that, there are other jobs that were created through the tax cuts that we are providing.

MR. MALONE: — You can point out 5,800 new jobs created by your Budget, with some certainty. That is what you have told me. All right, what is going to happen to the other 24,000 people that are out of work this year? What plans do you have for them? Are you suggesting to me that the \$.5 billion given to the potash corporation is creating any new jobs? I suggest the answer to that is, no. Are you suggesting that the money given to Saskoil is creating any new jobs? The answer to that is, no. All of the money that you are spending and increasing the per capital debt would be understandable if you were creating new jobs, new opportunities, new employment for people in this province. All you can do is come out and say 5,800 new jobs, when there are 30,000 people unemployed. All right; accept that for a moment. Accept that for a moment as something that is good; I don't, but you do, obviously. How many of those jobs are lasting? You talk about highway construction; granted that will provide employment through the summer months of this year and hopefully the fall months. You talk about construction; again granted, that will provide employment through this year. How many of those jobs are going to resolve in lasting lifetime jobs? I suggest to you, not very many.

Now, I quite agree with you that when your time gets rough, you prime the pump and you get make work opportunities going. But that is still not going to overcome the general problem in Saskatchewan of unemployment and making our industries and our province grow to provide opportunities for our young people who are coming out of schools, for people who want to stay in this province. Your government has done more to harm the economy of Saskatchewan than probably any government including the government in the 1930's because you have all these opportunities here. You have opportunities in the resource sector. And what you are doing, not you personally, but the government you represent, is putting a lid on those things. Putting a lid on it at a time when there has never been a higher demand for the things we have in Saskatchewan. I say to you, as I said to the minister the other night, what we have got in this province is abundance, what the rest of the country and the rest of the country world is starving for.

What is your approach? Nationalizing the potash industry. Paying out \$.5 billion . . . the member says, hear, hear. Well, that is very interesting. Maybe the minister will get into the debate. Maybe the minister will get into the debate and tell us how many jobs have you created with \$.5 billion. How many jobs have you created in Saskatchewan \$.5 billion. Wait until you get going in the oil industry. Would you like to get up? . . . (Interjection) . . . I'll sit down when you shut up and then we will let you get up on your feet and say something, Mr. Minister. Let me say to you, how many jobs have you created in the potash industry with an investment of \$500 million? None, except for some of the flunkies that follow you around in your office. How many jobs have you created in the oil industry with an investment of \$25 million? None. You have invested, I suspect, about \$1 billion of the people's money on the long or a short term basis. Now what have we got this year with those investments of last year and this year? 30,000 people out of work! And you sit there and say good. You sit there and blame it on Ottawa. You sit there and grin and smile and yell and say what a great bunch you are. I say to you, Mr. Minister, Minister of Finance, that your handling of the affairs of the people of Saskatchewan is disgraceful. I say to you as well if you go out into this province, you will find that probably 75 per cent of the people of this province agree with me. And you know who agrees with me more than anybody is those 30,000 people that are out of work because of your policies. I invite you to respond.

MR. SMISHEK: — These are estimates of the Department of Finance. I am sure you will have an opportunity to discuss his views when his estimates come up. The Leader of the Liberal Party has presumably the answers of how to solve Saskatchewan's unemployment. I would suggest to him that he might give some of that advice to his Liberal colleague, the Prime Minister of Canada, because he is in desperate need of some advice of how to turn the economy around and the national basis as my colleague, the provincial secretary has pointed out that he is in such deep difficulty that he is even scared to call an election at the present time. Now, I remind the Leader of the Liberal Party that when the Liberals were in power in the period 1969-70 we had something like 12 per cent of the workforce that was unemployed in this province and they were leaving by droves to provinces, to the east and the west of us.

I am very proud, Mr. Chairman, of the record of this government in the area of resources. Now, when we took office we received a mere \$33 million from the total non-renewable resources. This year we will be getting \$462 million from non-renewable resources. The Liberals, when they were in office, they were giving those resources away at bargain basement prices, giveaways to multi-national corporations. We believe those resources belong to the people of Saskatchewan. The truth is that as a result of our resource policy we were able to turn things around in Saskatchewan, of getting things done for people and let the people be beneficiaries of those resources. That is why we are able to provide medicare and that is why we are able to provide more money for local governments, that is how we are able to provide more jobs, Mr. Chairman. The rate of 6.4 is a rate that I would like to see reduced. I am confident that during the summer months that rate will be reduced. But, Mr. Chairman, I think we also have to look at the federal government and its policies because it is the lack of Liberal policies in Ottawa that is creating the economic problems and the spin-off or the spin over that we have from national unemployment. I invite him to look at other provinces, look at Quebec, look at Ontario' look at Manitoba, look at British Columbia. The rate of unemployment in Saskatchewan is the second lowest in Canada and even in Alberta, where they have much more revenue from resources, the hon. member is aware that they still have some unemployment and, again, because of national policies or lack of national policies to create jobs and to turn this economy around.

MR. MALONE: — Let me remind the minister, a couple of things. Firstly, he is the Minister of Finance for Saskatchewan, not for Ottawa and I don't know how we can get it across to you more dramatically that we really don't give a particular damn (if I can use unparliamentary language for a minute) about what happened in '64 to '71, anymore than we care what happened from '55 to '64. That's ancient history, minister, and it just shows how old and decrepit your government is, when the only way you can answer a question in May of 1978 is to talk about what happened in 1970 or 1969. I really don't care what happened in those years. I'm concerned right now with the present and what your government's going to do to alleviate unemployment in Saskatchewan. Let me remind you of a couple of other things. You talk about Quebec. You talk about the Maritimes. You talk about Ontario. Fine. Let me ask you, does Quebec have oil the rest of the world is dying for? The answer is, 'no'. Does Quebec have potash mines that they've nationalized? The answer is, 'no'. The same with Ontario. Do those provinces have a heavy concentration of a high labor force in the manufacturing industry? The answer is, 'yes'. Does Saskatchewan? The answer is, 'no'. I say to you, minister, that we have in Saskatchewan enough resources, including agriculture, to be the masters in our own house. If those resources were properly developed we would not be having an unemployment rate of 7.1 or 6.4 per cent. We would be having an unemployment rate of closer to 2.9 or 3 per cent as we had many years ago. Let me just say one other thing. You get up on your high horse and you say that we've collected all this money in taxes to keep it from the multinational corporations. You've collected from the oil industry approximately \$5.5 billion from 1973 to the present time. There's no government in the world that's given more money to the multinational interests than your government. Because that \$500 million we collected from oil, you turned over to the potash industry. All of that money has left Saskatchewan, every single penny of it. None of it's ever coming back. So don't you get up and try and justify the potash takeover on the basis of keeping Saskatchewan money in Saskatchewan. No government in the world has given as much money away to people outside this province and outside this country than your government has.

Let me just ask you one thing, if I can. How many jobs do you think you'll create from this budget in addition to the 5,800 that you've mentioned as a result of the cut in the sales tax, as a result of things that have happened since your budget was presented? I'm not trying to be unfair to you. Some of the things that have happened you couldn't have foreseen months ago when you were putting the budget together. Nevertheless, they've happened. You talk about in the summer months creating more employment. I hope you do. You have to acknowledge as well, that we'll probably have 5,000 students come on the labor force between now and the first of July. That's going to add to the unemployment situation. You've got a program for hiring young people. Fine. I suggest to you that you expand that program so more of them can go to work. I suggest that you reassess the things that you've got in this budget and bring it up to date. Some of those 30,000 people that were out of work on the last day of March will have some hope of getting off the unemployment rolls or the welfare rolls and finding some meaningful employment.

MR. SMISHEK: — Mr. Chairman, the hon. member was making reference that provinces like Ontario, Quebec, do not have oil, they do not have potash. I concede that. But they do have iron ore in Ontario, they do have nickel, they do have uranium, they do have gold. They mine all kinds of ore and non-renewable resources in Ontario which is a very big industry, as he knows, and which in many cases is in very bad shape because of the lack of policy by the Conservative government in that province. In the province of Quebec, as he knows, asbestos is a very big industry as well as other mining that is taking place in the province of Quebec. We're not unique in the non-renewable

resources. We don't have the same non-renewable resources that they have but they have others. As the hon. member knows that Ontario and Quebec are the base of the manufacturing industry in textiles, automobiles, farm machinery and many other things that are manufactured and imported that we have to buy in Saskatchewan. This is part of our program of trying to diversify in the province of Saskatchewan and which an honest effort has been made. When the hon. member asks how many jobs will be created through this Budget through the reduction in personal income tax, through other taxes that we have reduced; it is very difficult to estimate. But I am confident in saying that it will be in the thousands. We do have a program for young people, we do have a program which will create more jobs and I invite the hon. member to take a look at the current participation rate in the province of Saskatchewan in relation to the total population of how many people are in the labor force and working and compare that in 1978 to the period when the Liberal government was in office which was about 10 points less than it is at the present time. I think we've come a long way, much more needs to be done. I agree that the rate of unemployment is still too high but as I mentioned earlier, part of our problem is the shape that the national economy is in because of lack of leadership provided by the federal Liberal government.

MR. MALONE: — Garbage. Let me just ask you one other question. In your Budget you said that \$40 million was going to be invested in the uranium industry this year. The Minister of Mineral Resources denied that. He said it was going to be used for other purposes for SMDC. I am asking you now, is the \$40 million allocated to SMDC, as stated in your Budget, going to be used for development of the uranium industry?

MR. SMISHEK: — Subject to the report that we will receive from the Bayda Commission.

MR. MALONE: — If the Bayda Commission presents a report unfavorable to development and the government, in its wisdom, decides to go along with that report, can we assume that that \$40 million will not be spent?

MR. SMISHEK: — It depends on the position that will be taken. I can't at this stage tell the hon. member. We are awaiting the Bayda Commission Report and depending on what the report recommends and the position that may be taken by the government.

MR. MALONE: — You can't have it both ways, Mr. Minister. You just told me a moment ago it's subject to Bayda. If Bayda gives the go ahead the \$40 million will be spent. I hope it is spent. But if Bayda comes in and doesn't give the go ahead and the government agrees with his recommendations, I suggest to you, from what you have told me, the \$40 million will not be spent and will come back into general revenue. Now you can't have it both ways, it is one or the other.

MR. SMISHEK: — Mr. Chairman, I think I have already answered the question. We are awaiting the report. It depends on what the report will have to say. Now there may be some further explorations, I do not know.

MR. MALONE: — So what you are telling me, then, is that the Minister of Mineral Resources in responding to me in question period was not telling me the complete truth. You both can't be right. You were here, I thought you maybe weren't here. The Minister of Mineral Resources told me in question period on two occasions that the \$40 million was going to be spent on things as well as uranium development. Now who is right, you or the Minister of Mineral Resources? . . . (interjection) . . . Oh, don't give me that garbage.

MR. SMISHEK: — It's a hypothetical question. I am not in a position to answer at the present time. I have answered the best that I can subject to the report of the Bayda Commission and the decision that may follow by the government at that time.

MR. MALONE: — I've just got one final comment. This whole Budget of yours is so full of — I was going to say lies but I guess that's unparliamentary — but not telling the whole truth. We have isolated so many examples in the past few days. The \$40 million for uranium, you say one thing and the minister says another thing. You come in on a Tuesday, I believe, and present us with a Budget saying Sask Tel rates are not going to go up any more than 8 per cent. In a matter of days the Minister in charge of Sask Tel walks in and says they are going up 8.2 per cent. The Premier comes in a couple days later and bails him out and says, well, it's 8 per cent on the average. Obviously it means, if that's an average, some people are going to be paying substantially more than 8 per cent. You come in and you say you are cutting taxes by \$50 million or whatever it was. You don't point out that in last year's budget, you acknowledged you collected some \$54 million in taxes than you had not budgeted for. It's pretty easy to cut taxes, Mr. Minister, when last year you collect \$50 million or so more than you budgeted for, this year you come in and cut by about \$50 million. You don't talk about the moneys that come in from the utilities, SPC, Sask Tel, and make no mistake that's nothing more than indirect taxation on the people of Saskatchewan. You know it and perhaps more important than anybody else, the people of Saskatchewan know it. This Budget is a fraud, you know it's a fraud. I say to you to get back to the drawing boards and bring something in that is going to help the people of Saskatchewan, rather than just mislead them as this one does.

MR. SMISHEK: — Mr. Chairman, I think the reaction that we have received from the people of Saskatchewan, which I have already said earlier, the way the people responded, the way they welcomed the Budget I think speaks for itself. The hon. member can use all kinds of colorful phrases to describe the Budget. It is a Budget that stands on its own; it is a Budget that is welcome by the people of Saskatchewan. We are proud of it and the people of Saskatchewan are proud of it.

SOME HON. MEMBERS:— Hear, hear!

MR. COLLVER: — Mr. Chairman, I would like to make a comment just before I start asking questions again. I want everyone in this Assembly to note that it is now 9:05 and we started at 7:15. The members to my right have been carrying this now since 7:45 that is one hour and 15 minutes. The Progressive Conservatives were on for a half an hour. I just want to mention, briefly, to the members of the Assembly about this so-called delay and the so-called suggestion by the Attorney General of delay and the so-called suggestion by the member for Kindersley (Mr. McMillan) of delay, as to who is going about delaying the activities of this House. Just make reference.

Mr. Chairman, I would like to ask the minister a few questions about his negotiations with the Minister of Finance of Canada, with reference to the sales tax cut over a six-month period.

Would the minister inform this Assembly of whether or not the Minister of Finance, in his negotiations and discussions with the Minister of Finance of Canada, discussed the potential of allowing the government of Saskatchewan to allocate the sales tax cut to other kinds or specific kinds of production such as Saskatchewan produced goods?

MR. SMISHEK: — No.

MR. COLLVER: — Did the minister at all ever raise with the Minister of Finance for Canada the option, instead of having 2 per cent across the board, of having a 5 per cent reduction off Saskatchewan produced merchandise and 5 per cent off other areas that would have a more meaningful impact on the Saskatchewan economy than a 2 per cent reduction across the board?

MR. SMISHEK: — We believe the matter is unconstitutional of just taking the Saskatchewan made products and ignoring other products, Mr. Chairman, but the matter was not discussed in that kind of a way. The Minister of Finance, initially, when he came to Regina — I think the hon. members may recall when he was here, I did bring him to the House and introduced him to the members of the Legislature. It was at that time when he discussed with me the possibility of a 3 per cent sales tax for a period of six months. Later on there was some leeway provided and we went along with 2 per cent for a specific period of six months with the latitude that we may extend it for a further three months thereafter.

MR. COLLVER: — Is the minister aware that discussions had gone on, in at least one other province in Canada, with reference to being more specific in the attack on the economy and the local economy of that particular area, by a reduction of the sales tax in selected areas by the government, in other words, taking the tax off completely in certain selected areas? I would like to give the minister this suggestion, just as a suggestion.

For example, the business people in the western extreme of Saskatchewan are losing a large quantity of business to merchants in Alberta because of the sales tax that is imposed in those areas and more specifically because of the gasoline tax that is imposed in those areas. In other words, the business people and industry in Saskatchewan and Saskatchewan jobs are being lost to the province of Alberta because goods and services are being bought in Alberta rather than in the province of Saskatchewan because there is no sales tax in Alberta and there is a sales tax in Saskatchewan. The minister is well aware of that problem. And because the gasoline tax in Saskatchewan is considerably higher than that in Alberta, it is causing much concern for those organizations along the border.

Did the minister discuss with the Minister of Finance of Canada a means by which he could specifically apply a sales tax reduction in those areas and on goods and services produced in the province of Saskatchewan in order to increase Saskatchewan manufacturing jobs and in order to increase Saskatchewan retail jobs rather than an across-the-board increase which benefits only those in Ontario and Quebec which are producing the vast majority of the manufactured goods. If the minister did not discuss this with the Minister of Finance, why did he not do so?

MR. SMISHEK: — Mr. Deputy Chairman, these are some of the difficulties that we do have which are not only peculiar to Saskatchewan. The same problem exists in other provinces, for example, British Columbia has some of the same kinds of problems in border towns and border cities and similar kinds of problems exist in the Atlantic provinces where there are differentials in rates.

There are no easy solutions to that problem. We will have to live with it. Similarly, in the province of Saskatchewan, we do not charge medical and hospital premiums and there

have been some indications of a few problems in that area in border communities but, by and large, the system is working and despite some of the problems we have — we will always have some of these problems. There are no easy solutions to them. The hon. member knows that. He is trying to play to the media or trying to catch a headline but Dick, it is not going to work.

MR. COLLVER: — Mr. Deputy Chairman, if one was playing to the media one might have waited until the media got up there but since they all seem to have left for the evening one can be assured by the minister that we are not playing to the gallery. What we are playing to Mr. Minister is a little bit of common sense.

The fact is that one other province in Canada did have those discussions with the Finance Minister. One other province in Canada, being the province of Quebec, did suggest to the government of Canada that an across-the-board sales tax hike did not work for their province and that they wanted to be able to isolate and specify the areas that were adaptable to their province because sales tax was their jurisdiction.

Now I noticed that the Minister of Finance, in making his remarks tonight, turned to that eminently qualified constitutional expert, our Attorney General, to ask him about his constitutional opinions as to whether it was the government of the province of Saskatchewan which had the right to charge a sales tax or whether it was the federal government's right to tell us what our sales tax shall be.

Now, Mr. Minister of Finance, the Attorney General has gone through a series, a large series, of court battles ad infinitum. Oh, yes, ad infinitum, that is a Latin phrase for the benefit of the member for Saskatoon Eastview, who doesn't quite understand that sort of thing, and it means towards infinity. You might make a note of that, Mr. member for Saskatoon. Well, ad nauseam is something that the member who comes from the southern part of Saskatchewan will well know because he is faced with it almost every day when he looks in the mirror.

Mr. Chairman, the fact is that the Minister of Finance knows that there are specific areas of reductions of Saskatchewan's sales tax that would benefit Saskatchewan business. He knows that; he knows that there are local manufacturers that are required to charge a Saskatchewan sales tax, that if the sales tax was removed on those products, in total, they would very much be able to compete far better in the Saskatchewan market place than with those products from outside our province.

The minister knows that that is the business of the Minister of Finance: The minister knows that that is the business of the government of Saskatchewan. He knows, and so does the Attorney General, that the sales tax is the purview of the government in the province of Saskatchewan, that we have the right to do this if we so desire.

MR. McMILLAN: — . . . Filibuster.

MR. COLLVER: — Well, I don't think anyone will believe that word from the member for Kindersley, about filibuster, since they took up, tonight, one hour and a quarter and we had a half an hour. So I don't think they would believe that.

Mr. Chairman, the fact is that the minister didn't think about it. That is what happened. The Minister of Finance of Canada comes out and says to the Minister of Finance for Saskatchewan, look here, we are going into a federal election, we think. Now we have run into a little bit of a problem because the people aren't buying our act and so we are

going to stall and delay it on down the road. But right now we think we are. going into a federal election and we want to achieve the best possible benefits, we think, for the people of Canada to look at us as a party that really cares about getting Canada rolling again. We are going to reduce the sales tax, or talk to the provinces across Canada, not in Alberta, of course, because this isn't a problem in Alberta. They have no sales tax in Alberta. But we are going to talk to the other provinces in Canada; we are going to convince them to reduce their sales tax. We'll put up the dough for a six-month's reduction if you will agree, Mr. Minister of Finance, to reduce your taxation from 4 per cent to 3 per cent. That is what he said. That is what the Minister of Finance said.

Now, the Minister of Finance for Saskatchewan, in his tremendous enthusiasm to benefit Saskatchewan people and Saskatchewan manufacturing, Saskatchewan industry, and in his enthusiasm to help those people along our western border, because they were running into difficulties by this time — the Minister of Finance knows that — this House was in session when Mr. Chretien arrived here for discussions. That's when the minister was talking to him about it, so he knows that the people along the western border were running into pretty serious problems as a result of differentiation between his Budget and the Budget in the province of Alberta.

Did you think for one minute to say to the government of Canada, look, we are the province of Saskatchewan and we want to increase our business as well. We want to enthusiastically increase support for Saskatchewan industry and Saskatchewan manufacturing and create jobs, so we want to help you. You're prepared to put up the dough for this sales tax reduction but we'd like to specifically earmark that sales tax reduction to certain specific areas.

The fact is, Mr. Deputy Chairman, the Minister didn't even think about it. He not only didn't think about it; he didn't discuss it either with anybody. Did the Minister of Finance consult anyone as to whether or not he should just accept the Minister of Finance of Canada interfering directly with the province's right to levy a sales tax as they saw fit? Interfering, oh sure, in a positive way. Here, Mr. Minister of Finance, take our largess, take our money. We'll accept it, it's terrific. You'll accept it; it's marvellous; take it. And the Minister of Finance says, sure, terrific; not thinking for one minute that the people of the province of Saskatchewan are losing opportunities right across our province. The manufacturing sector has not increased and the only sector of our economy that has gone up — and the minister knows full well — the only sector that has gone up in the last two years is the government sector. That's the only one. Other sectors of our economy have remained static and in a period of time, the minister knows, that that is an actual decline.

We could have stimulated business here in Saskatchewan with that sales tax reduction. Instead, the minister chose to accept this situation from the Minister of Finance for Canada and to do nothing to help local industry and local business. I think the minister's actions are deplorable in this area. He should have at least discussed it with the Minister of Finance.

MR. SMISHEK: — First of all, Mr. Deputy Chairman, the hon. member makes reference to the province of Quebec. The province of Quebec eliminated the sales tax from certain items such as shoes, clothing, textiles and furniture. May I remind the hon. member for Nipawin (Mr. Collver), that Quebec . . . is the hon. member interested in an answer? . . . But you were having a conversation and I . . . well, I want to bring to the attention of the hon. member that while Quebec eliminated the sales tax on shoes, clothing and furniture, it is not only on shoes, clothing and furniture that is

manufactured in the province of Quebec. It is all shoes, clothing and furniture, regardless of whether it is manufactured in Quebec or whether it is manufactured in Ontario, or whether it comes from Taiwan or any place else. That is the only way that you can administer the thing in a proper way. You have the legal problem as well. The province of Quebec didn't eliminate the sales tax, only on shoes and furniture and clothing that are manufactured in the province of Quebec.

Obviously the hon. member is just off course and off beam as he quite often is. The administration of such a tax application is virtually impossible and would create great difficulties among the merchants and the distributors. Now, the number of items that we manufacture that are consumed in the province of Saskatchewan is relatively small. Most of our consumer goods as you know, are imported. Fine, we have a very healthy and sizeable agricultural implement industry, but as he knows there is no sales tax that is applied on agricultural implement industry. We do not charge a sales tax on farm machinery. Yes, it may be that it is news to him but that is a fact. In the case of automobiles, which is the largest producer of revenue from sales tax, automobiles are not manufactured in the province of Saskatchewan.

What we did is, apply a 2 per cent sales tax for reduction or an equivalent of nine months Mr. Chairman, which is going to pass the benefit on of \$54 million to the people of Saskatchewan. That is by far, more generous and by far, a greater benefit to the consumers of Saskatchewan than had we removed the sales tax on those things that are manufactured in the province of Saskatchewan, like some clothing and some lumber that is being used by the house building industry and for other purposes. Now, Mr. Chairman, that kind of elimination of sales tax would do nothing for the border towns or the border cities. Obviously, the hon. member needs to give it a little more thought before he espouses that kind of a thought. I also point on to him that Mr. Chretien proposed, as I understand it, the same kind of a deal for the province of Quebec as he did to the other provinces and that was the offer that was made. Quebec took a different route on which they reached no agreement and there is still no agreement, as far as I understand it, between the province of Quebec and the government of Canada. So we had to go this route or had to remain with the 5 per cent. We thought in the interest of national economy, even though we had already presented our Budget, while it created some problems, we are co-operating to get the national economy on the way as well as in the interest of national unity and the kind of thought the hon. member is trying to espouse is impractical and he knows it.

MR. COLLVER: — Well, Mr. Chairman, I noticed the Attorney General is certainly making a valid contribution to this debate. I wonder if the minister is aware of such manufacturing industries of Saskatchewan as, for example, saunas manufactured right here in the city of Regina (where most of them are manufactured) and it is creating a very large market. That is one that I can think of. Rebuilt engines for example, on which sales tax apply and which would create jobs in the province of Saskatchewan. Re-built transmissions on which sales tax is applied, which would create jobs right here in the province of Saskatchewan. I am sure that the minister will know that if sales tax reductions on these kinds of manufacturing industries that are right here in the province, were selectively chosen, we are not talking about specifically picking only Saskatchewan products, but we are picking goods and services that are manufactured right here in the province. Now that would cause people to increase their spending in those areas, which would create more jobs in Saskatchewan, which would create more tax revenue in Saskatchewan. The minister knows that full well, as well. To talk about administration, absolute nonsense if he selectively chooses some products now. For example, the minister knows, many, many children's clothes are manufactured in the

May 9, 1978

province of Saskatchewan. There is an organization in my constituency that manufactures Windsor jackets.

MR. ROMANOW: — Zenon Park.

MR. COLLVER: — Zenon Park Industries, a fine adjunct in Saskatchewan. We could have eliminated sales tax on that kind of product and it would not have been difficult, in any possible way, to administer and the minister knows that as well. The fact is that the minister chose not to go that route. The minister chose to go the route that was offered to him by the Minister of Finance.

Mr. Chairman, I do have one or two other questions in one or two other areas so . . . The Attorney General in continuing to thump down with his hand and saying, agreed, is not going to get over the job that has to be done by opposition in asking serious questions about the financing of the province of Saskatchewan.

(inaudible interjection)

MR. COLLVER: — Well that's fine if the minister would just stand up and agree to the truth, there would be no redundant speeches and if you would stand up and debate instead of sitting there waving your hands around, you might get involved and we would accomplish things much more quickly.

I would like to ask the minister what allowances he has made in the current Budget for the foreign debt service that he is required to do in this current fiscal year, relative to loans taken out in foreign countries in the last two years?

MR. SMISHEK: — As the hon. minister is probably aware, the borrowing that we do on the foreign markets is for Crown corporations. These are non-budgetary items. The debt redemption and interest payments are set out on page 110 and a provision is made in that item for the repayment of the debt.

MR. COLLVER: — Mr. Chairman, first of all I would like to pay a compliment to the members to my right. Some two years or two and one-half years ago — mind you the member who raised this particular issue was sitting over there and is now sitting over here — but anyway when he raised the issue he raised it as a Liberal. He suggested two and one-half years ago to the Minister of Finance, . . .

MR. ROMANOW: — Which one?

MR. COLLVER: — The member for Thunder Creek. He suggested to the Minister of Finance that the Minister of Finance was continuing year by year to borrow in foreign markets and that continued plans every year to borrow in foreign markets could be predictably examined by the Government of Saskatchewan. They could say every year from now on it appears because every year in the past 15 we have had to go to foreign markets to borrow, so every year in the next 15 we can develop a minimum number that is able to be borrowed in foreign markets and is going to have to be borrowed in foreign markets by the government of the province of Saskatchewan. That's a predictable number — I notice the official to the left of the minister nodding his head and that's true. That's predictable. One can predict that one is going to have to go on foreign markets. Now, once every year in addition to that, the Saskatchewan government is going to have to go and pay interest in foreign money. Now, because on the one hand you are

borrowing in a foreign market and because on the other hand you are paying out interest in the foreign market, you can develop — and the Leader of the Liberal Party yells it across — what is known as a policy of hedge, says the Attorney General. And that's because the borrowings are predictable, the interest payments are predictable and, therefore, you can ensure that the government of Saskatchewan never gets caught by the fluctuations in the foreign exchange market. Or if they do get caught by the fluctuations in the foreign exchange market the cash in is going to be very, very much minimized. Now for two and one-half years the opposition parties have been asking — even the member for Saskatoon Eastview who wouldn't know a hedge if it was a caragana — even he asked that particular question. The fact is that those are available and any good financial man knows it. Now, I ask the Minister of Finance why in the last two and one-half years you have not used the policy of hedging in terms of for your foreign exchange markets and why you have not used the policy of the purchasing of swaps which you don't even have to invest directly there. You can swap right here in the city of Regina and use the swaps to make darn sure that your foreign exchange fluctuations are not going to seriously affect you.

MR. SMISHEK: — Mr. Chairman, first of all we do not speculate on a short term basis. I thought I gave the answer to his colleague, the member for Thunder Creek, on that some time ago. Let me restate what I said to him before so that there will be no misinterpretation when he reads Hansard. The province presently owes about \$401 million in the currency of the United States of America. The annual interest rate of these loans is about \$32 million, in US dollars, and if converted to Canadian dollars on the basis of Canadian dollar costs, costing about \$8.89 US, the annual cost would be about \$36 million. The above described US borrowings have enabled the province to minimize interest costs in financing relative to that available in the domestic market. At the same time the province has recognized that these are unhitched transactions and the apparent interest cost savings can be reduced or eliminated as a result of currency fluctuations over the term of borrowing, to the extent the variables associated with any such financing can be qualified by any borrower to assess the merits of the borrowing in the US market. In the Canadian financial community the historic bench mark in making a decision to finance the United States market was that when interest rates in the United States were one-half to three-quarters of 1 per cent less than in Canada, it was advantageous to borrow in the United States market. This judgment is based on the rationale that the savings in interest would more than offset any change in the foreign exchange relationship over the term of the debt. Interrelated with this judgment is the current relationship with the Canadian and the US market, for example, the Canadian dollar is at an historic low as it is at present. The expectation of losing interest savings to foreign exchange fluctuation would also be low.

We have a table to illustrate the extent of which in any given year, to which foreign currency can be revalued before any loss to the province would occur. This example assumes that the US loan bearing 9 per cent interest rate compares to the Canadian loan bearing 9.75, both having a 30 year term maturity. For example, if the revaluation occurred in year six it would take a revaluation in excess of 13.79 per cent, which would endure the entire remaining life of the loan before any loss occurred.

As the hon. member knows that, first of all, if we borrow on the American market and say we went for \$100 million in US market and say if there was an exchange rate of 12 per cent, we would get \$112 million, not \$100 million. The interest rate being lower — and we are confident and I have restated this many times before, our borrowings are on long-term basis over a 25 or 30 year period. The Canadian dollar has generally been at par and since the borrowings are at long-term basis, we are satisfied that what we are

doing does provide security for the people of Saskatchewan.

MR. COLLVER: — Mr. Chairman, I am going to try one more time and see if I can make the minister understand. Well, I will try.

Mr. Minister of Finance, you will probably recall some years ago when, and still to this day, some farmers in attempting to protect themselves from the vagaries of the market place, go out and buy futures. What they do is they buy the future product today at today's prices and then produce the goods and services on their farm so that when it comes time for them to deliver the goods they know precisely what the price they are going to get for the goods is. Farmers had been doing that for years in those areas which were involved in a free market. As the products of agriculture moved into the Canadian Wheat Board and so on, the use of that particular tool, the purchase of futures declined in our country. But in the United States that market, the Chicago Exchange, is still rather active and I know the Minister responsible for Sask Tel, being an eminently qualified farmer, who is smiling right now. Yes, I know, has probably bought pork bellies a dozen times, by his actions on pork bellies in terms of the pork barrel.

Mr. Minister, I ask you to consider this question from me, that is all. In terms of the agricultural sector, I am sure he understands, that when the free marketing exists that is what farmers did to protect themselves from the ups and downs of the market. The money market, as between Canada and the United States and between Canada and other currencies, is a free market. It fluctuates up and down. By the use of the purchase of futures, as it were, you can protect yourself from any of those fluctuations and you can protect yourself from having the situation which has happened to you this very year, this very year. Now, the point is, Mr. Minister, that by the use of this purchase of futures you can protect yourself from these fluctuations.

In the last year alone the Canadian dollar has deteriorated some 14 per cent. That means, that this year in allocating for interest payments of the \$129 million that the minister has allocated to interest payments and assuming that \$100 million of that is payable in the United States, and I think that is a reasonable presumption, perhaps the minister has never come up with that number, but let's assume that it is \$100 million, that means some \$14 million, if you had accepted the suggestion of the member for Thunder Creek two years ago, would not have been lost this year.

Well who is the eminent and qualified financial wizard who said, rubbish? Oh, my goodness, the member for Quill Lake spoke again. Those are the only words he knows — Ontario, Manitoba, Alberta and rubbish. It is beyond anyone else's comprehension if he ever developed another word.

Mr. Minister, the fact is, had you taken that suggestion you would this year have saved \$14 million if you assume that \$100 million of your interest is in USA funds. If the \$100 million is different, if you have to pay less than that please tell me so we can work out what 14 per cent is of whatever number you have to pay out in USA funds.

MR. SMISHEK: — Mr. Chairman, we have a very effective Investment and Financial Services Branch. We also get not only internal advice, we get the advice from people in the investment community and the banking community. The kind of things that the hon. member is talking about, no province in Canada operates on that basis, no financial institution will give that kind of advice. If one knew where the dollar was going, then true, one can hedge. I invite the member to tell me where the Canadian dollar in relation to the

American dollar is going to be 30 years from now. Then you would be able to make those judgments. But no one knows. We know this, that from the long term experience what we have been doing has been adequate protection for the people of Saskatchewan. We have made good deals on our borrowings and we intend to carry on in the way that we have been.

MR. COLLVER: — . . . this entire matter. Would the minister of Finance give the House his assurance today that he will contact the Minister of Finance in the province of Alberta and get a lesson on how to hedge between American funds and Canadian funds so that he can get a lesson in proving that it doesn't matter whether the exchange rate is going up or going down. If he hedges by the use of swaps he will not have any concern in that area. Will he give the House his assurance that he will contact the Minister of Finance in Alberta?

MR. SMISHEK: — Mr. Chairman, our people in the Investment Services Branch are always in contact with people in other provinces. There is close consultation.

MR. COLLVER: — Mr. Chairman, I asked if the minister would give his assurance. Since he doesn't understand the principle at all, would the minister give the House his assurance that he will contact the Minister of Finance in Alberta and ask them how they go about ensuring that the interest fluctuations on their money are going to be hedged? Will he give us that assurance, so that he can understand it and present it to his officials because obviously they don't understand or they are not telling him something? Now, would he give us his assurance that he will call the Minister of Finance in Alberta and ask him how he does it?

MR. SMISHEK: — Mr. Chairman, when I have reason to contact the Minister of Finance of Alberta, I will contact him. Really the kind of advice that the hon. member is giving us is worth just as much as one would pay for.

MR. MALONE: — Mr. Chairman, the member for Wascana (Mr. Merchant), the member for Thunder Creek (Mr. Thatcher) and the member for Nipawin (Mr. Collver) have raised a very basic point, it is trying to save money . . . Have you anything to say, bionic mouth? Do you want to get up and say something? Well, perhaps we could speed up the proceedings if you would keep your mouth shut, while we are on our feet.

We have all raised this point with you. The member for Wascana, when he asked you this question in question period, got an answer from you which was to the effect that you didn't know what hedging was all about. That is fine; I don't say there is anything wrong with that. We are now at a stage where the Canadian dollar is in bad shape and may get worse. I don't know. Would you do just one thing — would you consult with your deputy minister and the people in your department and ask them to reconsider your position at this time to see if it would be not to the benefit of the taxpayers of Saskatchewan if you did develop a policy of hedging, if you did re-examine the situation? Because, obviously, it is going to cost the taxpayers of Saskatchewan millions and millions of dollars on your borrowings unless you do something. Now, I am not asking you to phone the minister in Alberta or the minister in Ontario or whatever, just asking you to ask your officials to look into it. Surely that is not too much to ask.

MR. SMISHEK: — Mr. Chairman, I consulted my officials on the regular basis and the fact is that you can't hedge over a period of 30 years, pure and simple.

MR. KATZMAN: — Mr. Chairman, just one question here. During the Budget Speech the minister made a statement which I think he owes the Assembly an apology for, or the people of the province. He suggested on page 30 of his Budget Speech that the taxes on two items would be changing that evening; one would be going down. Unfortunately, it was many weeks later until the 15 cents moved to 26 cents and the industry was notified of it and I think the minister owes the people of the province an apology for that one, and maybe even an apology to the Minister of Revenue who takes the brunt of your mistake. The 15 cents, the 26 cents you said was going into effect that evening, and weeks later they were still charging it all over Saskatchewan because they had not received the deduction notice and the Minister of Revenue had to take the embarrassment for you.

MR. SMISHEK: — Mr. Chairman, if there are merchants who have been charging that it is very unfortunate because we did notify the people of the change. That is regrettable but there might have been people who did not know, and to the extent that merchants were not aware, it is always difficult when you are making a tax change on a particular night, of people being informed. They don't all listen to the radio and as you know, the Budget is a confidential document, but we do try to inform the people very quickly, as when we reduced the sales tax from five cents to three cents. The very next day we had newspaper advertisements as well as the new schedules that were posted and were advertised, so to the extent that there was somebody who did not know, we apologize. But that was not intentional. It was one of those things that does happen. I think that the problem has resolved itself.

MR. KATZMAN: — I think the minister has got the two of them confused. When you did the five per cent to three per cent, the minister was able to let people know and the information was in the mail the next day but when you removed the first penny of sales tax from 15 to 26 cents, it was two weeks or more before anything was sent out. In the case of the 5 per cent to 3 per cent, the Minister of Revenue had them in the mail the next day because he had advance warning. I am suggesting that you sort of embarrassed the Minister of Revenue. He was taking the flak for your mistake.

Item 1 agreed.

ITEM 2

MR. KATZMAN: — Under 'other expenses', could you tell us how many part-time and temporary employees are covered under that?

Mr. Deputy Chairman, if the Attorney General is serious, we can maybe save some time if he is prepared to . . . (I was going to move this during Public Service Commission) but would he give me a list of — would the minister provide a list to the Assembly of all positions in all departments, that are part-time and temporary positions? I was going to ask that under Public Service but I can suggest it now and I won't have to ask it all the way through the Estimates. It is not names, Mr. Attorney General it is just numbers.

MR. SMISHEK: — I thought that the hon. member was first of all asking the question under Other Personal Services, the \$319,330 — or rather, Other Expenses. There are no positions in that subvote at all. I can give the hon. member the breakdown: research, consultation and fees \$20,000; computer services \$69,420, insurance charges and registered mail \$15,000; printing, binding and engraving \$36,400; travel and sustenance \$30,400; telephone charges 516,530; vault rentals and custodial fees \$19,400; office supplies and equipment \$11,050; commissions and handling

charges on provincial debentures and coupons \$93,500; miscellaneous \$7,630. That's the breakdown.

MR. COLLVER: — No, no. Mr. Chairman, the \$20,000 item for research and fees and so on, I wonder if the minister could give us a breakdown as to whom he is expecting to pay that?

MR. SMISHEK: — Mr. Chairman, the \$20,000 is research fees related to the initial start up costs in evaluation studies in connection with the operation and management of the pooled pension plan which is \$10,000 estimate and that's for the systems centre and the legal fees that amount to \$10,000.

MR. COLLVER: — Are the legal fees relative to the establishment of the pension plan?

MR. SMISHEK: — No, in the case of our debenture issues.

MR. COLLVER: — I'm sorry . . .

MR. SMISHEK: — I'm sorry, in the case of our debenture issues.

MR. COLLVER: — The legal fees that you are allocating for your debenture issues are the creation of your debenture issues.

MR. SMISHEK: — That's right.

MR. COLLVER: — And the \$10,000 research is allocated to whom?

MR. SMISHEK: — To our own systems, our own systems centre.

MR. COLLVER: — Mr. Minister, you can save us a lot of time and the Attorney General is very anxious to get all these subvotes through and you can save us a lot of time. What we are asking for in Mr. Katzman's questions are quite simply this, we want to know in each subvote how many employees you have on contract? You have part-time employees and you have contract employees. You have permanent positions who are with SGEA. We want to know how many employees are in the Department of Finance on contract or how many organizations are on contract? How many are you allocating for?

MR. SMISHEK: — Mr. Chairman, in the case of the Department of Finance there are no people who are on contract, in the case of the entire department, the Department of Finance.

MR. COLLVER: — Well, Mr. Chairman, does the Department of Finance pay for any external auditors who are hired by the government of the province of Saskatchewan, or who pays for that?

Well, you have external auditors who come in, not just the provincial auditor, you have external auditors who come in from time to time on some Crown corporations. I understand you also bring in external auditors, from time to time, to assist the controller during periods of peak periods. I understand they bring in private accounting firms on these basis. Surely, those private accounting firms must be under contract of some kind? Surely, the Department of Finance has some budget for them. I would like to know, are they are in this subvote item, are they in some other subvotes, are they somewhere in the Department of Finance?

May 9, 1978

MR. SMISHEK: — Mr. Chairman, again, in the case of the department we do not hire people on a contract basis. There is no money in any of the subvotes. In the case of auditors who are hired to do auditing for Crown corporations, those fees are charged against the Crown corporations, not to the Department of Finance.

In the case of the Controller's Office, there is nothing in this particular subvote that the hon. member asked about, of any contractual fees. In the case of the Controller's Office we do hire some assistants from an accounting firm and when we come to that I will give you — under the Controller's Office — we will give you the exact figures.

MR. COLLVER: — That is the only place where you bring in any outside accountants or any outside auditors, or any outside consultants to work with the Department of Finance? Is that the only instance in all the subvotes?

MR. SMISHEK: — Mr. Chairman, there could be, certainly not in this vote. I will be glad to go through it, for example, in the case of the personnel Policy Branch, which we will be coming to under the said subvote, where we get information or some consultants that we hire, from time to time, on pension plans — certainly on this subvote there is nothing of that sort.

MR. COLLVER: — Well, Mr. Minister, if you want us to go through and ask for each subvote, we will go through and ask for each subvote. I was trying to save time.

MR. SMISHEK: — I will be glad to go through it and provide a breakdown.

MR. COLLVER: — That is perfectly satisfactory, and the only question I have at this point in time then with regard to the Investment and Financial Services Branch is quite simply this. Has there been a significant change in personnel in that branch in the last year and if so, what was the change in personnel? I am talking about the upper echelon, I'm not talking about the secretarial end and so on.

MR. SMISHEK: — Mr. Chairman, we have had a fairly stable labor force. There were two additional people who were hired and who are part of the 20, a Mr. Cerenzia and a Mr. Morin. They were hired during the year.

MR. COLLVER: — There has been rather a major re-shuffle of the Investment Department in the last year, has there not, Mr. Minister?

MR. SMISHEK: — No, there has not been a major re-shuffle.

MR. COLLVER: — Mr. Minister, I know this is not the subvote and I know you want to get on with everything else. Mind you, we could probably relate it to this subvote, investments and so on.

I would like to know in sort of going back to Item 1 for just a second and that is with reference to the — I'm really sorry that I wasn't in the House today when the bill for the libraries — I have just been informed . . .

MR. DEPUTY CHAIRMAN: — Order! I am going to ask the member to keep his remarks to subvote (2).

MR. COLLVER: — O.K. We will get it somewhere else.

The two additional people that you got in the Investment Services Branch, have any of them been hired from the financial industry — did either one get hired from the financial industry in terms of the Investment Dealers' Association or were they members of the Investment Dealers' Association at all, and if so, I wonder if you can tell us their experience in the money markets and whether or not, in your Treasury Department which I assume comes under this heading, what experience these officials have for dealing with the potential moneys that are being expended, especially in foreign markets?

MR. SMISHEK: — Mr. Chairman, in the case of Mr. Morin, he was employed by Richardson Securities. In the case of Mr. Cerenzia, he was, I gather, in real estate business, but in the case of the people who advise us on foreign borrowings, they are people who have been with us for some time, Mr. Meiklejohn, who is the Executive Director and Mr. Owen, who is the Director of Investment Division and those have been with us.

MR. COLLVER: — Maybe he was brought in because you thought you were a little weak in the area of money management and so you brought this person in?

MR. SMISHEK: — No, he is employed as a research officer.

MR. COLLVER: — A research officer. This is a new position is it, Mr. Minister? Did you have this position last year?

MR. SMISHEK: — That's right, it was approved last year and you know, this position was filled.

MR. COLLVER: — Well, the research that he would be doing would be in the area of finance management, would it not?

MR. SMISHEK: — Investment management.

MR. COLLVER: — Investment management. In that case would you give instructions to your research officer then to examine the policy of hedging with reference to current interest expenditures vis-à-vis current borrowings on foreign markets? Would you give your research officer the instructions to provide a report perhaps, if not to this Assembly, to provide a report to yourself?

MR. SMISHEK: — Mr. Chairman, we have access to the best people and the best brains in North America in that area and we have good people in the branch. Whenever there is good advice given, we listen to good advice.

MR. COLLVER: — Is the minister suggesting then tonight that if we were to bring to him a report from an investment dealer, a member of the Investment Dealers' Association, with reference to hedging on foreign markets that he would be prepared to activate such a program? If we could bring to him a suggestion on the current — the use of his department or the Treasury and his money management team — if we could bring to him a suggestion on the use of the hedge as a means of protecting the government of Saskatchewan or the people of Saskatchewan when they continue to deal in foreign markets and the foreign money markets, if we were to bring in such a program would he be prepared to examine such a program in some depth?

May 9, 1978

MR. SMISHEK: — Mr. Chairman, we consult with all kinds of people in the investment world and if there are people who want to come and meet with us and give us any advice that has not been available to us, certainly we are prepared to see them.

Item 2 agreed.

ITEM 3

MR. KATZMAN: — How many part-time and temporary and casuals do you have under this vote?

MR. SMISHEK: — We have for this branch 543.75 hours of person-months allocated.

MR. KATZMAN: — You have budgeted for 543.25 man hours under this one?

MR. SMISHEK: — Person-months, 543.75 person-months.

MR. KATZMAN: — You have 12, you know, you divide it into — it takes 12 months to get a year, Mr. Attorney General, and you know 365 days make a year and there is a leap year every four years. What period of the year do you use this?

MR. SMISHEK: — The hon. member is speaking too close to his mike and it's hard to hear him.

MR. KATZMAN: — During what portion of the year do you use most of these man-months?

MR. SMISHEK: — During the summer months and largely in the issuing of the Property Improvement Grants — mainly, in the summer months, largely for the issuing of the Property Improvement Grants to the citizens of the province.

MR. KATZMAN: — What the minister is saying, is the majority of these 543 man-months is for paying back the property rebate. Is that correct?

The Committee reported progress.

The Assembly adjourned at 10:03 o'clock p.m.