

LEGISLATIVE ASSEMBLY OF SASKATCHEWAN

April 10, 1985

EVENING SITTING

The Assembly met at 7 p.m.

Prayers

HON. MR. BERNTSON: — Mr. Speaker, I ask leave of the House to proceed to government orders.

GOVERNMENT ORDERS

TABLING OF ESTIMATES AND SUPPLEMENTARY ESTIMATES

HON. MR. ANDREW: — Mr. Speaker, I have a message from His Honour the Lieutenant Governor.

MR. SPEAKER: — The message from His Honour the Lieutenant Governor reads:

The Lieutenant Governor transmits estimates of certain sums required for the service of the province for the 12 months ending March 31, 1986, and supplementary estimates of certain sums required for the service of the province for the 12 months ending March 31, 1985, and March 31, 1986, and recommends the same to the Legislative Assembly.

HON. MR. ANDREW: — Mr. Speaker, I move, seconded by the member from Meadow Lake:

That His Honour's message, the estimates and supplementary estimates, be referred to the committee of finance.

Motion agreed to.

MOTION FOR COMMITTEE OF FINANCE (BUDGET DEBATE)

HON. MR. ANDREW: — Mr. Speaker, I rise this evening to present the fourth budget of this administration.

Two years ago we started the practice of consulting widely with people representing various groups and organizations throughout the province. The next year we extended that far wider. And this year we introduced a new step involving a computer, Mr. Speaker, in which we were able to receive the views and the opinions of many other people that otherwise would not have been reached. And I would wish to record my thanks to all those that participated.

It is heartening to me, Mr. Speaker, to see that other governments across this country are now picking up and adopting this process in more extensive consultation with the public. It is my view that closer involvement by the community in government decision-making can only make for a better society. It also gives you the opportunity, Mr. Speaker, to put out to the public the difficult trade-offs, the priorities that they see, that they want their government to do.

Mr. Speaker, the budget that I will present this evening sets out a comprehensive and far-reaching plan to dramatically increase funding to the corner-stones that this province rests on — education, employment development, agriculture, and health care.

Before describing that plan, though, let me set the context. Employment continued to grow last year in this province, and for the third year in a row, Mr. Speaker, we have the lowest unemployment rate of any province in Canada. Investment spending again grew last year above

the national average, indicating, I believe, that some of the economic measures we took last year are starting to pay off. And we experienced, of course, another record year in the oil industry: increased activity, increased jobs, and increased revenue for the Government of Saskatchewan.

Despite these encouraging signs, however, we, like many other provinces and many other western countries – western world countries – still have some difficulties to overcome. Last year's drought obviously weakened the financial position of many of our farmers, and grain and beef prices are still too low. We have yet to see a return to the buoyant conditions for our other major commodities of oil, potash, and uranium.

High interest rates are still continuing to be a severe burden on all sectors of the economy. We were informed in November by the federal government that in 1984-85, income tax revenues owing to the province were overstated by \$130 million. The combined impact of these obviously has been to increase the province's deficit. And despite our prospects for recovery based on our fundamental economic strengths, the provincial treasury this coming year will continue to be squeezed.

But at the same time, Mr. Speaker, we must confront the changes and challenges that are coming at us. Technological changes are gathering speed, and this will demand more of our education system. The world economy is becoming increasingly competitive, and this will require that our farmers and businesses be equipped to meet that increased competition. Our labour force will continue to grow at historically high rates. This will require increased employment creation efforts. And our population, Mr. Speaker, is ageing, and this will put significant pressure on our health care system.

How are we to meet these challenges with the limited financial resources available to us? Surely this is the key question of the decade ahead, not only for us, but for all government. One option would be to wait for the world price of oil and potash and wheat to increase and rise before we act.

But what about the high school student getting ready to graduate? Can we ask them to wait? What about the young person looking for a job? Or the farmer needing some help to seed his spring crop? Or the patient needing a health care bed?

In short, even if we wished to, we don't have the option of delaying. We must move ahead now with confidence and in strength.

When I ask people, what do they really want from their government, what do they reply? They want their children to be provided with an education and the skills necessary for tomorrow's world. They want the government to lay the groundwork for meaningful and productive employment. They want the family farm protected and strengthened. And they want their health care system to be first-class. These are the things they tell me that really matter, really matter to them.

The question for government, then, is: how do we afford this? Well, it seems to me if we are really serious about it we're going to have to adopt the same approach that a family would use when they are planning a major purchase.

First, they cut down on all other spending to make sure they have enough money to afford it. And then, after saving hard for that purchase, they make sure that they get value for their money. This is precisely what governments must do, and this is precisely what this budget will do tonight.

I have established our priorities. We have provided and will provide major increasing in funding to education, employment, agriculture, and health care: the things, Mr. Speaker, that matter the most. To do this we have had to make some trade-offs. We've had to hold the line on spending

elsewhere. And to ensure value for the money, we will work together with the groups involved because it's only by working together, Mr. Speaker, that we can make real progress in whatever we do.

Having, however, given the complexity and the scope of the task that we are setting ourselves, it is clear that we cannot achieve lasting solutions in just one year. Real improvements will take much longer than this.

Consequently, long-term plans are required. And I am tabling with this budget a document entitled, *Partnership for Progress*. It proposes, Mr. Speaker, not one year, but five years of major funding commitments to those four corner-stones.

SOME HON. MEMBERS: Hear, hear!

HON. MR. ANDREW: — Here, in short, is what it contains, Mr. Speaker. In the elementary and secondary school systems, significant additional resources will be allocated to improve the quality of education provided to our children. In the university system, new funds will be allocated over five years to carry out major renovations of both campuses and to restore the universities to a firm financial footing. Our goal is to enable both of those universities, Mr. Speaker, to achieve new standards of excellence in both teaching and in research.

SOME HON. MEMBERS: Hear, hear!

HON. MR. ANDREW: — In employment creation, which is the most difficult and most important priority facing any government, we will be setting up an employment development fund to actively pursue employment creation over the next five years.

In the agriculture sector, there are both short-term and long-term needs. The short-term need is for greater financial security, both now and in the immediate future. In the long-term needs, we need a major program of research and productivity enhancement if we are to remain competitive. We will set up an agriculture development fund to address these needs.

And finally, in the field of health care, we propose to carry out a major program of renovation and reconstruction of our hospitals and nursing homes.

SOME HON. MEMBERS: Hear, hear!

HON. MR. ANDREW: — This program will set in motion five years, Mr. Speaker, of unprecedented construction activity in the health care field, and will achieve the much-needed renewal of our health facilities.

But I said the budget is designed to respond to what people told us they really wanted from government, and if you go out and talk to people, there's one other change that they want to see. They want to be part of the decision-making process itself. They're no longer content to see fundamental issues, that affect their lives and their futures, decided without some greater personal involvement. And as politicians, all of us in this Assembly, we are partly responsible for that discontent with the process of government. Too often we extinguish the public interest by our overly formal and ritualized legislative process. Too often we engage in the process that seems designed to produce dissent rather than compromise, disagreement rather than resolve.

And we will see an example of it later this evening when the Leader of the Opposition will take his place, and feel obligated to take his place, and playing his role will criticize, Mr. Speaker, everything that I have said tonight, everything that I have said. And perhaps, Mr. Speaker, perhaps, Mr. Speaker, that is inevitable. Perhaps that is inevitable. But what I would ask of the members, Mr. Speaker, is it truly in the best interests of the people to do that process?

I propose this evening, Mr. Speaker, to take a new approach. The document that I have tabled, partnership in process, lays out five-year agenda of major innovation and reform. We intend to take these proposals to the people involved and ask them for their participation. We will ask them to help us draw up those plans.

But an agenda without a budget has no force, Mr. Speaker. It is our intention to give the people involved some real responsibility. This requires that we make financial commitments that are at least sufficient to handle the ambitious objectives that we have set for ourselves. Accordingly, I am proposing to match this call of joint action with a five-year funding commitment. This is the first time that this has been done in Saskatchewan, and probably the first time it's been done in Canada. Mr. Speaker, over the next five years we will commit \$1.5 billion to this program of innovation and development.

SOME HON. MEMBERS: Hear, hear!

HON. MR. ANDREW: — And, Mr. Speaker, that isn't hollow money. That is real money, Mr. Speaker, by anyone's standards. And I'll propose the number of trade-offs that are necessary.

Here are the trade-offs that will be necessary. First we will hold the line on budgets elsewhere. We cannot ask the public at large to make sacrifices unless their government is willing to do the same. People have told me the government has not done enough internally, that governments must make sacrifices.

Second, people around the province have said to me that they are willing to contribute, Mr. Speaker, so long as they know where their money is going and they know that they will see results after it is spent. And, Mr. Speaker, we will introduce tonight a new tax, and it will be a more fair and understandable tax for the average person, and quite radical, I might add, Mr. Speaker, in the Canadian context. I will provide more of that detail later.

Let me turn now to education. It now seems probable that the remaining 15 years of this century will witness the largest explosion of new technology since the Industrial Revolution. New generations of computers are succeeding one another so rapidly that the process is virtually self-sustaining. New applications are found daily for everything from crop research to medical care.

And other forces are simultaneously at work that will have a significant effect on our lives. There are major changes under way in international trade relationships that make the world a much more competitive place for exporting nations like Canada. Demographic pressures of ageing will strain the major social institutions to the utmost. Persistent high unemployment remains a serious problem for most western societies.

While all of our social and economic institutions will be required to adapt to these changing conditions, nowhere will the pressure be greater, or the stakes higher, than in our educational institutions, for it is the responsibility of our schools, our technical institutes, and our universities to prepare our young people for the changing world in which they will live and work and prosper.

Other countries have recognized this fact. Sweden has responded by increasing the number of hours their children attend school to well beyond the Canadian average. Japan has emphasized science and mathematics training. The United States has made substantial investments in classroom computers.

We, in Saskatchewan, must find our own unique solution, as we always have before. And however we choose to proceed, one thing is very clear. We must not be left behind in the race for the future. Fortunately, we begin with some advantages. We have a school system with great potential. We have dedicated teachers and administrators, and we have a major expansion of technical institutes already under way, begun immediately after this government took office.

And we have two universities willing and ready to meet the challenge.

And there is one other consideration. In this period of fiscal restraint, other jurisdictions are cutting back the funding to education in an attempt to economize. We believe this to be a mistake. So now, Mr. Speaker, is the time to act. What is required is a major commitment to a new start in education, and I am pleased to say that we will begin that new start right here tonight.

I am announcing tonight a five-year commitment by our government to spend \$275 million in new funds on our primary and secondary school system.

SOME HON. MEMBERS: Hear, hear!

HON. MR. ANDREW: — And I am announcing this evening that we will spend a further \$125 million over the next five years in new funds to restore our two universities to world-class condition.

SOME HON. MEMBERS: Hear, hear!

HON. MR. ANDREW: — In total, Mr. Speaker, this commitment of new start to education will contribute \$400 million over the next five years on top of whatever increment or funding is provided for existing programs. That amounts to \$1,400 for every school student, and over \$6,000 for every university student.

SOME HON. MEMBERS: Hear, hear!

HON. MR. ANDREW: — To provide this money we have set up a new education endowment fund, the first of four new funds that I will announce this evening. As a result of this commitment, effective increase for grants to the schools will be 35 million; the increase to universities will be 15 million — in each case a 10 per cent increase over last year.

SOME HON. MEMBERS: Hear, hear!

HON. MR. ANDREW: — I stress that this must still be a co-operative enterprise. We will be asking educators, schools, and university boards, and parents to work with government in making improvements in the operation of our schools and universities. It is essential that funds being provided will result in a better quality education for our young people. We will be discussing with schools and universities some procedures to ensure greater accountability to the parents and the general public, and we will be asking for the co-operation of the teachers and the professors to hold the line on salary increases so the students themselves get the maximum benefit from this commitment.

Mr. Speaker, providing a first-class education to our young people is a vital first step, but it is only a first step, Mr. Speaker. For far too long the people of Saskatchewan have raised and educated their children only to have them leave the province and seek employment elsewhere. We have begun to reverse this. Over the past three years, from 1981 to 1984, we have had the highest employment growth rate of any province outside of the Maritimes. During this period we accumulated some useful experience with a range of different types of employment creation programs. Based on that experience, we propose to build a long-term employment development strategy consisting of three points, Mr. Speaker.

First, for the young people on the threshold of employment, we will put major emphasis on improving their education and skills training. Second, to help young people enter the work force and find that all-important first job, we will provide incentives to employers and also directly create employment opportunities. And third, to ensure a stable base of secure permanent employment, we will continue to promote long-term economic development.

The first of these components, education and skills training, I have already discussed. To pursue the second and third components of this strategy with the force and commitment they require, I am announcing tonight the creation of a five-year employment development fund. In financial terms, this will be the largest component of the funds announced tonight. And, Mr. Speaker, over the next five years, to help create jobs, this government will commit \$600 million.

SOME HON. MEMBERS: Hear, hear!

HON. MR. ANDREW: — In 1985-86 alone, we will commit 120 million as follows, in the two basic areas. First, \$50 million will be earmarked for an employment incentives program. This will be a 50 per cent increase over last year and will create in this province 15,000 new jobs. Mr. Speaker, part of that will be for, specifically, to help welfare recipients to enter the work force as part of our ongoing welfare reform package.

And 70 million, the second element of it, will be for long-term economic development initiatives. This will be funding for major new initiatives designed to improve the stability and confidence of the small business sector.

And I am pleased to announce the fulfilment tonight of a major election commitment. During the campaign of 1982 we said that we would assist small business with the problem of high interest rates. In the next few days my colleague, the Minister of Tourism and Small Business, will announce details of a program to write down interest rates on loans to small business to as low, Mr. Speaker, as nine and five-eighths per cent.

SOME HON. MEMBERS: Hear, hear!

HON. MR. ANDREW: — Mr. Speaker, we anticipate that about \$400 million in loan capital will be covered, and this is on top, Mr. Speaker, of programs that we announced in last year's budget that are ongoing this year. And I should make it clear that the initiatives included in this new fund are over and above government's ongoing capital programs in a number of agencies and Crown corporations. This ongoing capital program this year will exceed \$1.2 billion and is expected to support well over 9,000 jobs.

SOME HON. MEMBERS: Hear, hear!

HON. MR. ANDREW: — And of course, Mr. Speaker, on top of that is the private sector in the area of heavy oil upgraders, in the area of expansion of potash, and in other areas that I am convinced will be announced very shortly.

While this budget is designed to stimulate employment outside of the government sector, we recognize our responsibility as a major employer. The necessity to hold the line on government spending remains. But there is a need to provide job security for permanent public sector employees, and we will make every effort to see that any permanent employee whose current job is eliminated will be offered alternative employment in government, Mr. Speaker, so that no government employee will lose his job.

SOME HON. MEMBERS: Hear, hear!

HON. MR. ANDREW: — Everyone in Saskatchewan, Mr. Speaker, knows agriculture is . . . (inaudible interjection) . . . Did you want to talk, Lawrence, for a while?

SOME HON. MEMBERS: Hear, hear!

HON. MR. ANDREW: — As everyone in Saskatchewan knows, Mr. Speaker, agriculture is, and will always remain, the backbone of our economy. More than that, the family farm is the foundation of our rural society that makes Saskatchewan so unique. Because the agriculture

industry is divided into some 65,000 separate farming operations, there is sometimes a tendency to lose sight of what is necessary to make the industry, as a whole, viable. Yet like many other businesses, there are two general sets of considerations: short-term and long-term requirements. In the short term, individual farm operators must have sufficient cash on hand or credit at the bank to carry on operations. In the long term, we must be able to produce our product at prices that is competitive in the market-place and yet profitable in terms of their own operating costs.

Over the last two years, the main emphasis of government policy has been to focus on the short-term requirements. This has been necessitated by the combined effect of the credit squeeze caused by high interest rates and the impact of last year's drought. Thus our government introduced a number of significant measures, including the farm purchase program and the temporary debt moratorium legislation. These policies will continue in 1985.

The main and most immediate consideration must be to seed this year's crop. Moisture conditions look good for most part of the province. The federal government has just announced a very welcome Western Grains Stabilization payment. But we must ensure that no farmer, who has to put in a crop, is prevented because of short-term cash squeeze.

Last, I will announce three points tonight, Mr. Speaker. First, the Agriculture Credit Corporation will reduce its loans from 14 per cent to 12 per cent. That will assist 1,000 farmers in the province of Saskatchewan with over \$4 million in interest relief.

SOME HON. MEMBERS: Hear, hear!

HON. MR. ANDREW: — Second, the farm purchase program will be extended for another year. Interest rate subsidies will be provided an additional \$200 million in loans to 1,800 farmers, and that will extend that program, Mr. Speaker, to 5,800 farmers, covering 2.25 million acres – 2.25 million acres – and total capital of \$640 million.

SOME HON. MEMBERS: Hear, hear!

HON. MR. ANDREW: — Third, my colleague, the Minister of Agriculture, recently announced an extensive new program of loan guarantees. This program will guarantee loans up to \$200,000, and we expect at least 1,500 people —farmers – to benefit from this.

However, while these measures are necessary in the short term, we must also focus our attention on the long term. Over the last few years we have seen both rising input costs and weaker commodity prices. While the rapid spiral of cost increases has moderated somewhat, the down-side pressures on commodities seems to continue. While there is a number of reasons for this, obviously potentially the most significant is the rapid improvement in the productivity among our competitors. As technology spreads, we face competitors now armed with many of the techniques and innovations that we ourselves initiated. Consequently, if we are to remain competitive, we have no choice but to undertake major programs of research, innovation, and productivity improvement. Clearly, this will cost money. But it will require, and also require the mutual co-operation of producers and farm groups and research sectors in government.

To finance this new approach, I am pleased to announce tonight that we will set up a five-year agriculture development fund. The province will contribute 150 million to this fund. The federal government has committed at least 30 million already. And we will ask producers to make a contribution. In total, Mr. Minister this fund will make available \$200 million over the next five years for agriculture research, development, and demonstration projects.

SOME HON. MEMBERS: Hear, hear!

HON. MR. ANDREW: — I emphasize that the projects that we are interested in must be of practical value to the farmer. One such example would be the conversion of farm machinery to

compressed natural gas, which has tremendous potential. The cost of that fuel is half the cost of diesel. But what we need at this stage is hand-on experience by farmers to make the project work and see if the thing is viable.

Our commitment to agriculture, Mr. Speaker, is clear. In total, this government will spend \$131 million on agriculture this year. That's over \$2,000 per farmer. That represents a 9.5 per cent increase in that budget, and a 54 per cent increase in the budget to agriculture, since this government took office.

SOME HON. MEMBERS: Hear, hear!

HON. MR. ANDREW: — Canadians enjoy, Mr. Speaker, the best health care system in the world. And Saskatchewan can be proud that this province was the driving force behind that system. And one gives credit very often to Tommy Douglas who, in fact, began this tradition.

But people tell me that they are concerned that the health care system is under pressure. They are worried that the measures necessary to maintain the system are not being taken in a timely manner. Some of that pressure is due to factors beyond our control, such as the ageing of our population, or the cost of introducing new technology.

But there's also evidence that governments across the country have been neglecting to keep up and maintain their basic health care institutions, the hospitals and the nursing homes. And this has happened despite the commitment of large amounts of new funds into the health care programs.

The previous government in Saskatchewan was no exception to this dangerous trend. The average useful life of a hospital building in Saskatchewan is 60 years. But at the rate that they were renovating and replacing them, the average hospital would have had to last 125 years, Mr. Speaker.

Nursing home construction also suffered serious neglect. Between 1977 and 1982 only 142 beds were added, despite the fact that the needs for these facilities continued to grow. And this was a particularly serious omission, given the rapid ageing of our population.

Over the past three years we have taken important measures to remedy this situation. Major hospital projects are currently under way in Nipawin, in Lloydminster, in Melfort, in Yorkton, in Regina — in Saskatoon a children's rehab centre, and in Regina, Wascana. Last year we announced a five-year program to build 1,000 special care home beds and renovate a further 500.

However, given the deficiencies of the past, and the needs of the future, it is clear that comprehensive solution is necessary. This new approach must embody three basic principles. An immediate priority must be place don't he most pressing need, the renewal of ageing facilities, particularly our major hospitals. Direct co-operation and participation by both health care consumers and health care providers must be sought in developing new directions.

Mr. Speaker, as I said this afternoon, the people that will destroy medicare will be the people who do not have the wisdom to look forward into the future to see the problems coming forward at us. And substantial commitment by government for long-term funding is also needed.

I am pleased to announce tonight the first step in this important process, with the introduction of a health capital fund which will provide \$300 million over the next five years for construction and renovation of health care facilities.

SOME HON. MEMBERS: Hear, hear!

HON. MR. ANDREW: — Mr. Speaker, early in my address I stated that this budget would

propose raising new revenues in the fairest way possible. Let me now first turn to the question of personal income tax.

Provincial revenues from personal income tax are collected through a national tax system. This past year what was actually received was \$3.9 billion less than what was originally estimated. That cost Saskatchewan \$130 million.

This dramatic decline in revenues is another piece of evidence to suggest that the tax system is in need of repair. There's a growing perception that personal income taxes are no longer fair. In particular, people with high incomes are able to take advantage of tax shelters and deduction schemes that are not available to most ordinary Canadians.

In 1984, we estimate that approximately 600 people with incomes over \$50,000 paid no Saskatchewan income tax. Most Canadians now find the income tax system is too complicated with all its deductions, and exemptions, and forms, and counter-forms. There is a sense that the system may well act as a disincentive for ordinary Canadians to work, and to save, and to invest. And often people are induced to make unproductive investments in order to reduce their taxes. And I think this is a tragic waste of the country's investment capital. In short, we need a tax reform to provide a system that is simple to understand, and yet fair to all income groups. And that is now recognized, I believe, by most Canadians.

Tonight we will take the first step towards tax reform with the introduction of a flat tax on net income.

SOME HON. MEMBERS: Hear, hear!

HON. MR. ANDREW: — This tax will begin in July at a rate of 1 per cent of net income. The effective rate for 1985 will be one-half of 1 per cent. At the same time, Mr. Speaker, we will reduce the provincial personal income tax rate by a corresponding 1 per cent. Effective 1985, it will be 50.5 and in '86 it will be 50 per cent.

As an additional step to protect low income taxpayers, we will increase the low income tax reduction from 100 to 260.

Let me give you an example of what that means, Mr. Speaker. A married taxpayer with two children, making \$14,000, will pay no provincial income tax. That same married taxpayer with two children, making \$20,000 would pay an additional \$47. That same taxpayers with two children, making \$50,000, would pay \$224. We estimate that, taken together, these measures will increase revenues this year by about 39 million, or an average of about \$56 for every person who files a tax return.

But because of its simplicity and because it ensures that everyone must pay their fair share, the flat tax model on taxes that we are introducing tonight will be a significant improvement to the income tax. We believe, Mr. Speaker, that this is the leading edge, is the first salvo of a national tax change. And we issue tonight a challenge not only to Saskatchewan but to all of Canada, to look at this model as the new model that will be developed in this country.

SOME HON. MEMBERS: Hear, hear!

HON. MR. ANDREW: — I would at this time acknowledge the co-operation of the Hon. Michael Wilson in allowing us to make this very significant and important first step.

Mr. Speaker, if I could look so people would understand. If we were to take this to the next step by increasing this tax from one point to eight points, we would be able to eliminate all the rest of the provincial income tax.

I have a couple of other tax increases I would like to announce tonight – and hold your chairs, folks, over there. Respecting the corporate capital tax, effective April 1, 1985, the tax rates as applied to banks will increase from 0.8 per cent to 2 per cent.

Effective midnight tonight the tax on a pack of 25 cigarettes will increase 10 cents.

And I will announce another tax change relating to provincial sales tax. Effective midnight tonight, used cars will be subject to the education and health tax. Tax on the sales of vehicles will now be levied on the cash difference between the purchase price and any allowance for trade-in. And that brings us in line, Mr. Speaker, with the tax system of other provinces.

The final revenue measure, Mr. Speaker, the final revenue measure deals with pornographic materials, and the member from Regina North West might be interested in this one, with all his talk. These materials are clearly offensive to the taste and the moral standards of a great majority of Saskatchewan people. It is the intention of this government to introduce a tax on the distribution approaches of these materials.

I want to now turn to the question of property tax rebate. The suggestion has been made to me frequently that the \$100 million spent on the array of property tax rebate schemes could be better spent somewhere else. What people have said to me is, why do you hire people to collect the tax, and then you hire another group of people to pay it back? Mr. Speaker, the local government finance commission recommended that the tax rebate be replaced by tax credits on income. Others have said the fund should go directly into education. We share those views.

Consequently, I am announcing this evening that the property tax rebate program, including the home quarter tax rebate, are eliminated, and those funds will be allocated to education.

SOME HON. MEMBERS: Hear, hear!

HON. MR. ANDREW: — Property taxes will be held down by allocating these funds to education, Mr. Speaker. But also there's one group, however, that count on that rebate program to supplement their income, and that is senior citizens with limited income. Therefore, I am announcing tonight, in 1985 we will introduce a \$20 million property tax credit to senior citizens.

SOME HON. MEMBERS: Hear, hear!

HON. MR. ANDREW: — Tonight's budget contains a comprehensive long-term strategy in four key areas: agriculture, education, employment development, and health care.

We have committed \$1.5 billion to these initiatives over the next five years. These are real commitments requiring real dollars, and we want the people of Saskatchewan to know where these funds will come from.

Let me begin by saying that we will not finance these priorities with a massive increase in the deficit. The source of funding for these new spending will come from the measures I announced in tonight's budget.

Over the next five years the income tax changes announced will raise \$350 million. What better way to finance the creation of a new job than to call on those people with a job, or other sources of income, to pay 1 per cent?

SOME HON. MEMBERS: Hear, hear!

HON. MR. ANDREW: — Property tax rebates means that the treasury will have \$400 million needed to improve the quality of schools and universities between now and 1990. What better way to invest in our children's future?

Crown corporations have received substantial injections of taxpayers' capital over the years. We will be calling on these Crown corporations to return at least \$200 million to the treasury before 1990. What better way to make the necessary investments in agriculture?

Mr. Speaker, finally, responsible expenditure management within government will free up another \$150 million. What better way to help finance much-needed health care projects?

SOME HON. MEMBERS: Hear, hear!

HON. MR. ANDREW: — The budget, Mr. Speaker, that we are presenting tonight is a responsible, forward-looking plan, financed in a fair and affordable manner. Our original budget plan for 1984-85 forecasts a deficit of \$267 million. Due primarily to the drought and personal income tax re-estimates, the budget deficit this year will be 395 million.

Turning to 185-86, revenues are forecast to increase 5.4 per cent. Expenditures will rise 4.1 per cent when compared to last year's revised. Overall, I am pleased to announce the deficit has been cut by \$100 million from 1985 revised level, to a total of 291 . . . (inaudible interjection) . . . That, my friend, is half of the deficit of Manitoba. That is a third of the deficit of British Columbia. That is slightly ahead of the deficit of Alberta. And I will stack up the management of our deficit against any government in this country.

SOME HON. MEMBERS: Hear, hear!

HON. MR. ANDREW: — Mr. Speaker, I have presented this evening a challenging program of innovation and reform. To achieve it, we must fulfil two requirements. First, we must be willing, all of us, to make a major investment of our tax dollars for at least five years. Nothing less will be enough to bring about lasting improvements that we want to see. To meet this requirement, we are committing \$400 million to improve the quality of our education system, \$600 million to reinforce our employment development initiatives, \$200 million to build a stronger future for the farm economy, \$300 million to carry out unprecedented programs of reform and renovation of our hospitals and nursing homes. In total, we will spend one and a half billion dollars over the next five years.

The second requirement, Mr. Speaker, is that the program of real innovation must be worked out jointly with individuals and groups involved. Governments cannot go it alone. This might sound very straightforward Mr. Speaker . . . (inaudible interjection) . . . Did you want to talk?

Mr. Speaker, this may sound very straightforward, but while it is easy to talk about change, it is much more difficult to bring it about. The challenge that I am issuing this evening is for all people involved to join in a co-operative endeavour to bring about real and lasting improvement in their individual fields.

Thus we will be asking our educators to examine what can be done to bring about an improvement in the quality of education provided to our young people. We will ask the health care professionals for ideas to improve the quality and accessibility of our health care. We will ask the small businesses who apply for the nine and five-eighths to tell us what they can do to help maximize employment opportunities. And we will ask farmers what they can do to make the productivity improvements that are essential to the future of agriculture in Saskatchewan. And perhaps most important, we are carrying out the process of internal scrutiny and reform ourselves.

This budget makes some financially and politically tough decisions. Our government faced two distinct alternatives. One was to avoid any tax increases, to leave the spending budgets untouched, and consequently to have no resources available for the immediate priorities facing our society. The other was to ask for a contribution from the taxpayer, to reallocate funds from

lower to higher priorities, and consequently to make major commitments in the area of education, job creation, agriculture, and health.

In the short term, Mr. Speaker, it probably would have been easier to follow the first alternative – to leave the property tax rebate in place, to make no tax changes, to put off economic measures throughout government. But what about the long term? These tough choices are necessary if we are to make a meaningful investment in the future; if we are to make true improvements in education, in employment, in agriculture, in health care. Having made this choice, I now invite the people to join in a partnership to see that our objectives are achieved.

I said this budget presents new and innovative approaches to many of the major issues we face as a society. Yet, in a sense, this is no more and no less than what Saskatchewan is all about. This province wasn't built by people who wanted to avoid risk, or to hang on to the past. Saskatchewan was built by men and women who were constantly faced with a challenge and were always willing to take it. Some years just putting in the crop was a major risk, yet our farmers always took that risk and we have prospered because of it.

The decision to build a university here in 1909 was a risk, but we took that one too, and we have all prospered because of it. The decision to bring electrical power and telephones to rural Saskatchewan was a risk, but we took that one too, and we have prospered because of it. Now again we face the uncertainty of a changing world. And once again, Mr. Speaker, we must believe in ourselves and act boldly.

The Saskatchewan people should have it no other way.

Mr. Speaker, I move this committee do now resolve itself into the committee of finance.

SOME HON. MEMBERS: Hear, hear!

HON. MR. BLAKENEY: — Mr. Speaker, I'm pleased to enter this debate, and particularly pleased to address a few remarks about this budget.

And I want to start by saying that I will agree with something that the Minister of Finance said. He said that lasting solutions to our problems cannot be found in one year, and I agree with that. He has demonstrated that lasting solutions cannot be found in three years. He has demonstrated even that makeshift solutions cannot be found in three years. And that is why he has brought in this budget, a budget which says, we were wrong for three years; we're going to change our ways.

SOME HON. MEMBERS: Hear, hear!

HON. MR. BLAKENEY: — But, because my time is short, I want to get to the heart of the matter. I want to tell the taxpayers of Saskatchewan just what this budget means to their pocket-books. I want to tell them, if I can, what it means to them in dollars and cents. And I want to take this clear, if I can, because the minister has spent 45 or 50 minutes making it anything but clear. And what we have, Mr. Speaker, is the largest tax increase in the history of Saskatchewan.

SOME HON. MEMBERS: Hear, hear!

HON. MR. BLAKENEY: — The largest tax increase in the history of Saskatchewan, on the minister's own figures — \$750 million in taxes or withdrawal of rebates in five years.

These people, Mr. Speaker, were elected with a huge majority, saying that they were going to cut taxes. That's what they said, Mr. Speaker. "We'll cut your income tax by 10 per cent." That's what they said, all of them. "Elect us and we'll eliminate the 5 per cent provincial sales tax." That's what they said, all of them. I say to Saskatchewan taxpayers: look what they promised,

and look what they've done.

They haven't cut your income tax tonight. They raised it. This document says that the government opposite is going to raise income taxes by \$350 million in five years. That's \$350 for every man, woman and child in this province – 40 million this year; 80 million in the full year, next year.

They haven't eliminated the sales tax, they've extended it, and they're going to pick up another \$35 million – and that's \$35 for every man, woman, and child, again – on provincial sales tax on used cars and used trucks and the rest.

They also said that they wouldn't cut important programs. And the Minister of Finance has said this again and again in his budgets. But what have they done? Tonight they've eliminated all property tax rebates to home owners and farmers and small-business people and renters and senior citizens – 400 . . . Mr. Speaker, they have eliminated, eliminated the rebate to senior citizens. They have indeed. They have indeed. We will come to their tax gimmicks in a moment. The senior citizen will get no cheque. That's the hard fact.

SOME HON. MEMBERS: Hear, hear!

HON. MR. BLAKENEY: — Well, I don't know whether the member for Regina Wascana is joining with me in that, but may I say that I do not qualify, and I suspect he does.

But I am saying, very clearly, that \$400 million is going to be lost to people who otherwise would have got it, and another \$350 million is going to be taken out of the pockets of Saskatchewan citizens.

Now, who are hit by this? Well, certainly home owners. They got \$230 a year, and that's gone. The renter's rebate of \$150, and that's gone. And the \$250 rebate per year for small-business people, and that's gone.

And as for farmers, they've lost their \$375, I think it is. They have also lost their home quarter grant, which was announced with such fanfare last year. That's \$11 million that farmers have lost on the home quarter grant. By my guess about \$24 million on property improvement grants. That's \$35 million. Thirty-five million dollars for 65,000 farmers is about an average of \$600 that they've lost, in hard cash, hard cash – in addition to their share, in addition to their share of the income tax increase.

Perhaps the cruelest cut of all is that thousands of senior citizens won't get their cheque of up to \$510, if I recall the figure.

Now, it is said that they are going to get some money back on income tax. Will the minister acknowledge that they won't get a penny this year? They won't get their grant this year; they will not get any reduction of income tax this year – 20 million that they won't get this year, anyway.

His income tax cut can only be achieved next spring when they file for 1985, and for this calendar year '85, will it be acknowledged there's nothing for senior citizens? They've lost it all.

I want to underline that . . . (inaudible interjection) . . .

In addition, Mr. Speaker, I have noted that the minister proposes to eliminate over five years \$550 million worth of services, \$550 million worth of services. And I'm sure he's going to say that he's cleaning out the fat, cleaning out the fat.

Well, Mr. Speaker, I am sure that he can tell about cleaning off the fat to the family of the

65-year-old Regina woman who died because of cut-backs in the inspection staff of the Department of Labour – and don't say, oh. If you've got a quarrel, quarrel with the ombudsman or quarrel with the coroner. They are the people who say that's the fat.

Tell some of these people, the over 1,000 people, who are trying to get into nursing homes in Regina, that this is fat. Tell the thousands, or at least hundreds, who are waiting for a CAT scan at the Plains Hospital or at the University Hospital, tell them that all this is fat. Tell them that.

You are eliminating programs which are valuable programs. We speak for the member for Wilkie. Tell the folk, who are seeing our highway system deteriorate, tell them that this minister is going to spend, I believe it's \$16 million less this year in building highways than he spent last.

So we have \$550 million in services which won't be there. Well, let's review this five-year budget which the minister proposed, and I don't know whether my figures are right, but they're not far off. Three hundred and fifty million extra in income taxes; 400 million in lost property tax rebates; 20 million lost for senior citizens this year. You can say that's double counting, but perhaps it isn't. Save 35 million in extra sales tax charges, that's certainly true – 550 million in lost programs. All these extra taxes, all these lost programs coming out of the pocket-books of ordinary citizens.

The minister says that we need this in order to improve our education system and our health system. And certainly we need improvements. But the key question is this: who is being asked to pay? Who is being asked to pay? And look through the documents. What does he say about, other than the banks from whom I believe he was going to get an extra \$3 million. He was going to get that kind of money out of the banks. Do you find anything else coming out of the most profitable sectors of our economy? Do you see any comment about increasing any royalty levels, even modestly? Even modestly. Even though the oil companies are getting an extra 1.2 or 1.3 billion dollars – 150 million which is likely to come to Saskatchewan.

The issue, Mr. Speaker, is fairness. The issue is fairness. Extra money is being raised, extra money which represents, in effect, a death bed repentance for the minister. But the question is: from where is it raised? When I saw this budget, Mr. Speaker, it struck me that it had the tone of the repentant sinner.

For three years he has provided no money for health and no money for education. For three years . . . (inaudible interjection) . . . Well, look, Mr. Deputy Speaker, I don't need to argue this case. Everyone in Regina can see the hold in the ground (it's been there for three years) for the Regina General Hospital.

I noted that the minister has announced yet again the Lloydminster hospital and says it's under construction. It wasn't two weeks ago. There was not a spoonful of dirt moved when I was up there two weeks ago. But I suspect that not a spoonful of dirt has yet been moved, notwithstanding the fact that he announced it in this budget, the last budget, and, I believe, the one before that. So I think there will be a note of scepticism, Mr. Speaker.

But, Mr. Speaker, I will want to make one other point before I close. That has to do with the flat tax. I want people to understand what the minister opposite is saying is fair when he says a flat tax is fair. This man is talking about a flat tax based upon the current income tax system in Canada. That's what the minister is talking about – net income as shown on page 2 of any T-1 General form, about half-way down. If the minister will agree with that, he will know that anyone who has, let us say, a Frontier oil shelter or a MURB, can deduct that before he pays his flat tax, but not, Mr. Speaker, the person who has a wife or children. They can't deduct the marriage exemption before he pays his tax. If he gives \$200 to his church, that's taxable. If his wealthy brother has a MURB, that isn't taxable. I challenge the minister or any one of his colleagues to deny this, and I will attempt to illustrate it more fully when I speak later in this debate.

So, Mr. Speaker, I say to Saskatchewan people who are listening tonight that they should keep one important thing in mind with respect to this budget. It is largely promises of a five-year nature. Many of the promises, many of the alleged increases in spending are not commitments to anyone. They are simple transfers from one fund to another. And a simple reading of that speech will make that clear. He talks about 10 per cent for schools. He's got 5 per cent for schools, and another 5 per cent he's hanging on to.

So I simply say to the people of Saskatchewan: judge what they will do by what they have done. I'm sure you will agree with that.

SOME HON. MEMBERS: Hear, hear!

HON. MR. BLAKENEY: — And we are willing . . . Judge what they . . .

SOME HON. MEMBERS: Hear, hear!

HON. MR. BLAKENEY: — Judge what they will do for university financing by what they've done, or hospital construction, or as the case may be.

So I ask the people of Saskatchewan not to be swayed by the honeyed words, but to check what this budget will do for their pocket-book. And I think when they do that they will agree that it reneges on promises made by members opposite with respect to income tax and sales tax. It levies unfair taxes. And we'll go into that a good deal more — a good deal more about how unfair it is to get your money, let's say for universities, by cancelling a Property Improvement Grant. That you are, in effect, taking the money back for Property Improvement Grants, and you take \$230 back from a person with \$60,000 income, and you take \$230 back from a person who has \$30,000 income. You call that fair. I don't call it fair, and I'm going to ask the people of Saskatchewan whether they think that's fair.

And I think that when they look at the tax package which you have devised, they will think it's unfair, and they will say it's the wrong way to build the co-operation which you so rightly ask for. And I will have much more to say about this budget when I have an opportunity to examine it further, and accordingly, Mr. Speaker, I beg leave to adjourn the debate.

Debate adjourned.

MOTIONS

Resumption of Budget Debate

HON. MR. ANDREW: — Mr. Speaker, I move, seconded by the Premier:

That the debate on the motion that this Assembly do now resolve itself into the committee of finance be resumed on Friday, April 12, 1985.

Motion agreed to.

The Assembly adjourned at 8:10 p.m.