

The Assembly met at 2 p.m.

Prayers

INTRODUCTION OF GUESTS

Mr. Klein: — Thank you, Mr. Speaker. As the often-referred-to member of Regina North South, it gives me pleasure to introduce to you, and through you to this Assembly, some 22 young people from the constituency of Regina South that are sitting in the Speaker's gallery. They're grade 5 students from W.C. How School and are accompanied here today by their teacher, Jill Ready, as well as a number of parents.

Now, Mr. Speaker, having lived around the corner from their school for about 15 years, and although my children didn't attend that school, I am fortunate enough to know a great number of their parents and families whose children still did or do attend W.C. How.

Hopefully they will find their visit to the legislature this afternoon interesting and informative. I look forward to meeting with them a little bit later and determining how they enjoyed question period, as well as explaining to them how hard I work now that I've got two areas of the city that I'm baby-sitting.

I ask all members to join me in a warm welcome to the Assembly.

Hon Members: Hear, hear!

Mr. Martens: — Thank you, Mr. Speaker. I would like today to introduce some students from Vanguard, Saskatchewan. There are 19 of them, grade 8 and 9. They're sitting in your gallery there, Mr. Speaker, and they are accompanied by their teachers, Jerry Elliott and Jim Lyding.

I have a special regard for that school for a number of reasons. They initiated in Saskatchewan, on their own initiative, and the teachers from that school initiated, a no-smoking program in their school. They were the first school in Saskatchewan to be recognized for that, and I think they should be given a bouquet for that.

Hon Members: Hear, hear!

Mr. Martens: — I know that the members have appreciated that, and we in Saskatchewan have appreciated that, because of the good things that you do down there. I also want to say that the member from Saskatoon Eastview is a graduate of that school, and he's going to make a few remarks. So on behalf of the Assembly here, we want to welcome you.

Hon Members: Hear, hear!

Mr. Young: Mr. Speaker, I'd like to add my welcome to the people from Vanguard. I recognize some familiar faces. I see Erickson Schissler and Gader. And Jim Lyding, the teacher with them today, taught me in grade 7. I graduated there in 1969. And coincidentally, I was going to school with Larry Hopfner at the time, who is my

seat-mate's cousin. And Larry helped lay the bricks for the school that you kids go to now in Vanguard. He got a summer job there when the school was under construction and helped lay the bricks. I think the year was '66-67 that that was built. But I'll be meeting with you with Harold Martens, your MLA, after question period for pictures and drinks, and I'll see you guys then.

Hon Members: Hear, hear!

Mr. Myers: — Thank you, Mr. Speaker. I would like to introduce a grade 8 class from Vincent Massey School in Saskatoon. I'm doing this on behalf of my good friend and colleague, the member from Saskatoon Fairview, who is unable to be here today. The students, 28 in number, are accompanied by their teachers, Harold Semchuk and Mike Thiessen. I would like the Chamber to join with me in welcoming these students to the Assembly, and hope their stay is entertaining and educational, and wish them a safe trip home.

Hon Members: Hear, hear!

ORAL QUESTIONS

Free Trade Negotiations

Hon. Mr. Blakeney: — Mr. Speaker, my question is to the Premier. When Mr. Reisman and Ambassador Murphy next meet for free trade negotiations, and I think it's in Washington on June 16th, will Saskatchewan have a representative at the bargaining table; and if so, who will it be?

Hon. Mr. Devine: — Mr. Speaker, I will be making a ministerial statement after question period with respect to the meeting that took place last night, and I will outline it in some detail.

But the process that we've agreed to, as briefly as I can, is that the provinces will be involved in four ways in the participation with the negotiations. One, is that the professional committee — in our case it's chaired by Mr. Art Wakabayashi — will be meeting on an ongoing basis and getting as much information as they want and they desire.

Secondly, we'll have a committee of ministers of trade that will be meeting as often as they think is necessary, getting all the information from Mr. Reisman and others.

Third, the first ministers will be meeting at least every three months, and oftener if we have to, after the first three month period, between now and the end of August and 1st of September, Mr. Speaker.

Then if we need any more information, including having people sitting in the room or people at the table or whatever, the Prime Minister has given us his assurance he will look at any or all suggestions or combinations of ideas that we could to get more information to the provinces if, in fact, they feel that they don't have enough information.

For my purpose, Mr. Speaker, I can say that I'm absolutely

satisfied we will get all and every bit of information, and the consensus in the room last night was that there will be no negotiations without the consent of the provinces, and that will be clear. So, in fact, Mr. Speaker, it was an historic evening as a result of the provinces have never had so much power with respect to dealing with the federal government on any sort of international negotiations.

Hon. Mr. Blakeney: — Supplementary, Mr. Speaker. I gather that the answer then is no, there will not be a Saskatchewan representative at the bargaining table. Would you indicate, again, whether or not there will be a Saskatchewan representative in the room to monitor negotiations on behalf of Saskatchewan people?

Hon. Mr. Devine: — Mr. Speaker, that whole suggestion of whether we have one member in the room or more members in a room will be fully reviewed in the next three months as we go through the process of negotiations. If the provinces feel that they want to have more access to various kinds of information, Mr. Speaker, the Prime Minister said we can review that at that time. We have virtually received every bit of information that the federal government has. And anything that I want, or anything that the premiers want, can either come through the professional committees, the ministerial committees, or the first ministers' committees. And if I'm not satisfied, or any premier's not satisfied he's not getting the information, all he has to do, Mr. Speaker, is contact either the Prime Minister or Mr. Reisman, and he will get all the information that he wants.

Hon. Mr. Blakeney: — Supplementary, Mr. Speaker. It is clear that we will not have a representative at the bargaining table. It is equally clear that at least for a period of time we will not have a representative in the room. The future of Saskatchewan industries and Saskatchewan jobs will be totally dependent upon Simon Reisman, the federal government bureaucrat.

Mr. Premier, are you satisfied with that arrangement?

Hon. Mr. Devine: — Absolutely, Mr. Speaker. I'm happy with that arrangement because every premier in the country gave the consensus to a mandate to negotiate with this process. And every premier will tell you we've never had so much access to information with the federal government on any international jurisdiction, which is clearly in the federal government's area.

So we have got access through the Premier's office, access through the minister's office, access through the committees that we've set up, and any information we want will be available, Mr. Speaker. So the Prime Minister said: you can have those three mechanisms; if you want more mechanisms we can look at it next week or next month, and we're certainly going to meet within the next three months, and review it entirely again.

So, Mr. Speaker, it is a precedent-setting arrangement where the federal government shares absolutely all information with the provinces. And the provinces obviously, as you can see in the media, are saying: yes, we are in full endorsement of this; and yes, we will have a consensus in the kinds of things that we're going to do, or

in fact we won't be doing anything.

Hon. Mr. Blakeney: — Mr. Speaker, new question. New question to the Premier with respect to the trade talks.

Mr. Premier, you indicate that we will have all the information, but you will not have anybody at the table or anybody in the room or any way of knowing whether or not the information you have is all of the information.

Mr. Premier, at Swan River, according to press reports, it is stated as follows:

In a strongly worded communiqué the Premiers, four western Premiers, said Canada's chief negotiator, Simon Reisman, should demand a standstill to trade protectionist measures while negotiations are proceeding.

Mr. Premier, has Mr. Reisman been given strict instructions to demand a moratorium or a standstill on further protectionist measures by the United States as a basis for further trade talks?

Hon. Mr. Devine: — Mr. Speaker, the range of things that we could do tactically in dealing with the United States was fully discussed last night by the first ministers, and that included a standstill, a moratorium, countervail, and the various kinds of tariff and non-tariff strategies that we could use. It was agreed by all the first ministers that we wouldn't just put our entire strategy up on a billboard to tell the United States what we are going to do.

But I can assure this Assembly that the recommendations and the tactics that we talked about in Swan River, and others, were fully viewed and explored, given to the Prime Minister with our blessing and saying: these are things that you can use, and I will leave it to the negotiators to see how they use them and when they use them because we will be assessing it on a weekly basis.

Hon. Mr. Blakeney: — Supplementary, Mr. Premier. I'm not sure I understood your answer. Has Mr. Reisman been instructed to demand a moratorium or a standstill, or has he not?

Hon. Mr. Devine: — I'm not telling you. That's as clear as I can make it. We are not going to be putting on a billboard all the strategies that the negotiator is going to use in the United States.

All the premiers gave consensus and a mandate to the Prime Minister to negotiate for Canada, and they said: here are the things that you can use. And they told him how to use it. Now I'm not going to say what it is in public, and the Prime Minister isn't, nor will, I suspect, any premier in Canada will.

So yes, we gave them all the instructions. Yes, they have all the tools. They know the kinds of things that I can do and the kind of things the Prime Minister can do, and those negotiating strategies will be used at the table in the next few days and the next few weeks and the next few months, and we will be reviewing it and assessing it on a daily and a weekly and a monthly basis.

Hon. Mr. Blakeney: — Supplementary, Mr. Speaker. Last week at Swan River you were quite free to "demand a standstill to trade protectionist measures while negotiations are proceedings."

This week in Ottawa you decided that that's confidential information. What happened between Swan River and Ottawa which caused you, first, to demand a moratorium, and secondly, to say you will not say whether you did so?

Hon. Mr. Devine: — Well, Mr. Speaker, obviously as the former member that used to sit here knows, that the discussions that go on among first ministers are confidential, and I'm sure that he could respect that. When we are negotiating with United States on something as important and as historic as trade relations, then obviously all of the strategies are not going to be made public.

I can only say that we made our demands and we laid them out clearly. The Prime Minister outlined the kinds of things that he could do. He outlined the conversation between Mr. Clark and Mr. Shultz, between the Prime Minister and the President of the United States, and all the things that were on the table and the strategy that we could use.

Now we agreed among all first ministers, all premiers, Mr. Speaker, that we would not elaborate on the strategy. But quite clearly we have full confidence that we are involved in it, and we will continue to be involved in it and use the kind of tactics necessary to make sure Canadians get the best arrangement possible.

Hon. Mr. Blakeney: — Supplementary, Mr. Speaker. Mr. Premier, you went down to Ottawa demanding full participation in these talks. You went down to Ottawa demanding that Canada see to it that the United States agree to a moratorium or a standstill as a basis for further trade talks. You come back empty-handed, you don't have anybody in the room, and you are at least mute on the question of whether or not anyone agreed with your proposal for a standstill.

Mr. Premier, do you not agree that you don't have any mandate to carry on these talks on behalf of the people of Saskatchewan, and don't you agree that you ought to call an election and give the people an opportunity to pass judgement on your performance?

Some Hon Members: Hear, hear!

Hon. Mr. Devine: — Well, Mr. Speaker, I know very clearly, Mr. Speaker, that the NDP are against trade negotiations with the United States. They have made it very, very clear that they don't want to trade with the United States; they don't want negotiations with the United States. It wouldn't matter if the United States put on tariffs on every hog that went into the U.S., whether they put on tariffs on steel, whether they put on tariffs on potash or anything else.

Well I can say, Mr. Speaker, we signed an historic agreement last night, and every premier in Canada, including the Premier of Manitoba, the Premier of

Albert, the Premier of British Columbia, the Premier of Quebec, and the Premier of Ontario and all the premiers in the Maritimes, agreed that we should negotiate with the United States because it was a very important thing for us to do as a nation — to stand together to take on the United States to make sure we had a good deal. And every one of them said it was a good idea, not because they didn't have a strategy, but because they had a strategy to stand together, not be divisive like the NDP that's always divisive against negotiations with the United States.

Some Hon Members: Hear, hear!

Hon. Mr. Blakeney: — Final supplementary, Mr. Speaker. If you, Mr. Premier, are so confident, so confident that the people of Saskatchewan support your position, will you call an election and give them a chance to have a voice?

Some Hon Members: Hear, hear!

Hon. Mr. Devine: — Well, Mr. Speaker, what we did last night could not have happened if we had NDP premiers across Canada or in three or four of the provinces. They would not enter into the negotiations, and I'm the first to know that.

I'll go back, Mr. Speaker, if I could just give you one example, one example, Mr. Speaker, that came up last night. In 1964 and 1965 the Canadian government got into negotiations with the United States government on a free trade arrangement on automobiles. And, Mr. Speaker, the Ontario legislature will show that the NDP were against it, the Liberals were against it, union leaders were against it, and they convinced half of Ontario and the media that it was not good. Well, Mr. Speaker, today there is full employment in southern Ontario, and most of that, Mr. Speaker, comes from the automobile arrangement where it's free trade. And the NDP are still against it.

Well, Mr. Speaker, I'll tell you right now, a freer trade arrangement for negotiated markets in the United States has full employment in Ontario today — full employment as a result of that free trade arrangement. They're at 5 per cent and the hon. member knows that, in his books, is full employment. Well as a result of that, Mr. Speaker, I would like to see the rest of the country have the same access to those kinds of jobs that Ontario has. In fact, Mr. Speaker, it's our turn in western Canada, and last night we got our best lick at it that we've had in years.

Some Hon Members: Hear, hear!

SaskTel Advertising Budget

Mr. Lusney: — Thank you, Mr. Speaker. My question is to the Deputy Premier, in the absence of the minister of SaskTel. Mr. Minister, this morning in Crown Corporations Committee, the minister confirmed that his department, SaskTel, a monopoly utility, had spent something near \$2 million — 1.8 to be exact — in advertising in 1985. Now, Mr. Minister, at a time when your government is running a \$2 billion deficit in this province, and taxpayers are asked to pay the highest taxes in the history of this province, why, Mr. Minister, does a

utility company like SaskTel need to spend \$1.8 million in advertising?

Hon. Mr. Berntson: — Mr. Speaker, this is an indication of . . . well, they're really digging for questions. They're sitting there in Crown corporations . . . I understand that SaskTel is before Crown corporations at this very moment . . .

An Hon. Member: No, it isn't.

Hon. Mr. Berntson: — Oh, you finished it, and you forgot to ask the question, is that it?

An Hon. Member: We didn't get an answer.

Hon. Mr. Berntson: — And if they couldn't get an answer from the minister responsible, Mr. Speaker, I don't know how they can get an answer from me. I don't know what goes on in SaskTel. I pay my monthly bill just like members opposite. And you know, if the Premier wants to make me minister responsible for SaskTel, and I would do an excellent job — just like I do with Sask Power — and I would have those answers for you.

Mr. Lusney: — A question to Mr. Deputy Premier . . . (inaudible interjection) . . . If I can redirect my question, Mr. Speaker, the minister responsible for SaskTel is here. Mr. Minister, I asked a question, and maybe I should re-ask it.

Mr. Minister, this morning in Crown corporations you had confirmed that SaskTel had spent something . . . it's a monopoly utility within the province that spent something like \$2 million on advertising, 1.8 to be exact, Mr. Minister. Can you tell this province why the taxpayers of this province, at a time when your government is about \$2 billion in debt and the taxes for ordinary taxpayers are the highest that they have ever been in the history of this province, Mr. Minister, why does a monopoly utility have to spend \$1.8 million on advertising?

Hon. Mr. Lane: — Well the numbers keep getting exaggerated all the time. As I indicated this morning — unfortunately the member was talking, and we know that he can't do two things at once, and so he didn't listen — that one-third of the advertising budget went to Telecom Canada, which is the national, long-distance advertising program. That is done to encourage people . . . The hon. members opposite wonder why it's done. It's to encourage people to use the long-distance services. We use the long-distance services, Mr. Speaker, to increase the revenues for the corporation. It sounds to me like it's a legitimate expense.

Secondly, I indicated that . . .

Mr. Speaker: — Order, please. I would ask the members on both sides of the House to calm down so that we can hear the answer.

Hon. Mr. Lane: — Thank you, Mr. Speaker. I indicated as well that another nearly 15 per cent, I recall, is for public service announcements, for example, "Dial before you dig." The reason we have that particular program is that we don't want people digging up the buried telephone

lines while they're doing contracting work or anything of that nature. It strikes me as a rather a legitimate activity.

And thirdly, we use it to encourage telephone service. We happen to have some new telephones. I recall when the NDP were in, you couldn't get a telephone from anybody else in the province. As a matter of fact, if you tried to buy a phone from anybody else, the NDP had severe penalties and fines, Mr. Speaker. We are now encouraging people to look at some of the diverse products that SaskTel has. Some of the new telephones — I know the hon. member probably has a Garfield phone or a Mickey Mouse phone, and we made those changes so the hon. member would have access to telephones, Mr. Speaker. We made the changes, and we're promoting our new products and promoting them as a legitimate expense by the corporation.

Mr. Lusney: A question to the minister responsible for SaskTel. Mr. Speaker, I can see the minister makes light of all the money that they are spending in advertising. Mr. Minister, may I remind you of your party's promise in 1982. And I'll quote from your book here. It says, Pocket Politics. And that was a promise that you made to the people of Saskatchewan. And it says:

We will cease all advertising by Crown corporations, except advertising which promotes specific productions and programs offered by the corporations, where a monopoly does not exist.

Where a monopoly does not exist, Mr. Minister. Can you explain to the people of Saskatchewan how \$1.8 million worth of advertising by SaskTel gets around that promise of yours — where a monopoly does not exist?

Hon. Mr. Lane: — First of all, I think we should put the advertising in perspective. The NDP, prior to 1982, were advertising the glory of government ownership and the family of Crown corporations.

It strikes me as there is a big difference between advertising the availability of phones, which are now available to the people of this province . . . people now have choices on the telephones that they can use or buy or lease or whatever options they wish. And we are promoting that option, Mr. Speaker.

It's interesting to note that phone ownership on the extension phones is no longer a monopoly, thanks to the initiatives of this government. I'm sure that if the NDP were to get back that people would no longer have the choice of phones, no longer be able to buy their own phones, would have to go back to the total government ownership of phones.

We have Telmarts now, and we're opening them up in various communities around the province so people can go in and select the type of phone they want. We are promoting Agritex. We are promoting the other services that we have, Mr. Speaker.

So I suggest to the hon. member, to be critical of the promotion of SaskTel is somewhat strange. I think it's typical of the differences in approach between the two parties. We believe that people should have the choice;

the NDP don't think that they should have that choice and wouldn't want to see them advertise that choice.

Lack of Commitment to Reforestation

Mr. Thompson: — Thank you, Mr. Speaker. I direct my question to the Minister of Parks and Renewable Resources. yesterday in this Assembly we revealed a confidential document from your department which confirms that your government secretly cut the budget of the four provincial forest nurseries by \$360,000 this year — a reduction of 33 per cent. In the process, you are threatening the jobs of a number of northern Saskatchewan citizens and the entire provincial reforestation program.

Can the minister tell us what he has done since April, when this confidential document was written, to get this budget cut restored and to protect the jobs of northern citizens which depend upon the provincial reforestation program?

Hon. Mr. Maxwell: — Well, Mr. Speaker, I'm sorry I wasn't here to deal with this in person yesterday, and certainly glad I'm here today, and that the hon. member would get up and raise the question again.

Let me set two or three things straight. We're not planning on closing any nurseries. We have a commitment to produce tree seedlings which we will fulfil. We don't plan to reduce production. We've got about 40 million trees in our four nurseries which we're growing for future years. We don't plan any unusual or premature staff reductions, and we are at present, in all four nurseries, sowing seeds for seedlings which will be planted in 1989.

Now somewhere along the line there was reference to a confidential document. Some confidential document, when all the members of the media have got it. The guy who wrote the document cc'd several officials, has crossed all kinds of desks; it's hardly confidential. But in reference to that memo, a copy of which I received this morning, you note in the first paragraph — and this is one bureaucrat writing to another bureaucrat, which is bureaucrats wont, and is their right — and in this he says: "... the attached table indicates the blue book allocation for labour service at nurseries."

Mr. Speaker, I defy you; I defy any member of the opposition to find any reference in this book whatsoever to nurseries, which would put at some degree of risk, belief in the rest of the material in here. I hasten to point out it was a "what if" exercise — a typical bureaucratic exercise, whereby a gentleman was asked: what if you receive a little less money this year than last year. What are the implications. He replied with the implications.

However, notwithstanding, Mr. Speaker, there's some allegations came out of this little band yesterday when I read *Hansard*, that we are in fact reducing the amount of reforestation. Typical NDP scare tactics. Let me set the record straight. The Grant Devine administration for four years, Mr. Speaker, we planted 45.6 million trees. The NDP in their administration in the last four years planted 39.8 million trees. We increased the amount of trees planted in Saskatchewan by 5.8 million. In fact, in

1977-78 they only planted 6.7 million.

Mr. Speaker, last time I was in estimates here, I pointed out the vagaries of the previous administration, the fact that you can't trust them, and the fact that you can't . . .

Mr. Speaker: — Order, please.

Mr. Thompson: — Mr. Minister, I see the Conservative members are very happy today because they have a reprieve for another four months until they lose their jobs. But I want to say, Mr. Minister, are you denying what's in this document that the nurseries — and a new question, Mr. Speaker, and by way of information — that the nurseries at Prince Albert will run out of money in July; Big River in June; in the south branch, end of July; and Chitek Lake, end of July. Are you denying that these nurseries will not run out of money, and are you also denying that Simpson Timber will not get their allotment of 500,000 trees for this fall's planting?

Hon. Mr. Maxwell: — Mr. Speaker, we will fulfil every commitment which was undertaken. I already said that in the estimates, and anybody can check the record. I confirmed what will be done. But as I was saying, in those same estimates it came out about some of the things the former administration had been doing. And the former minister of this department under their administration, Reggie Gross, whom I described as Reggie the tourist, Reggie the football . . .

Mr. Speaker: — Order, please.

MINISTERIAL STATEMENTS

Report of First Ministers' Meeting

Hon. Mr. Devine: — Mr. Speaker, I want to take this opportunity to briefly report on the meeting that we had last night with the Prime Minister.

The first ministers of Canada met for three hours in Ottawa, and it was a very historic meeting, with respect to trade negotiations with the United States. I believe, as a result of the meeting, Mr. Speaker, that we have set this country on track with some very, very exciting opportunities with respect to one of the largest trading partners in the world — obviously our neighbour — and to the United States.

I want to say two or three things, Mr. Speaker. First of all, certainly Saskatchewan and western Canada won last night with respect to the historic meetings. For the last three years the western premiers' conferences have had communiqués talking about the fact that we needed to fight protectionism in the United States, and that we needed to negotiate with the United States to make sure that we had access to markets. We certainly wanted to be involved, Mr. Speaker, and we said so. With the four premiers in western Canada, we elaborated that position.

I also want to point out, Mr. Speaker, at the western premier's conference, just last week, we said the same thing all over again. We wholeheartedly, unanimously, every premier, endorsed trade negotiations with the United States, and that cut across all political parties and,

obviously, all four western provinces. We wanted to be involved, and we wanted the negotiations from this side of the border to be a consensus to stand still and to be as strong as we can.

As a result, last night, Mr. Speaker, we have the following: we have a complete consensus of all first ministers in Canada that the federal government has a mandate to negotiate trade in a bilateral trade arrangement with the United States. This is historic, Mr. Speaker. We've never done this before. But every premier there, and the Prime Minister, agreed that Canada should sit down and now discuss with the complete support of the provinces a negotiated bilateral arrangement with the United States.

The objective of that mandate, Mr. Speaker, is as follows: first, to reduce protectionism that we see obviously rising very rapidly in the United States; secondly, to reduce tariff on non-tariff barriers that exist between our two countries; and third, Mr. Speaker, to protect jobs and to create new jobs for people in Saskatchewan and across Canada in the future.

The second major part of the meeting last night, Mr. Speaker, was the fact that, in an historic move, the Prime Minister agreed that the first ministers of this country will meet every three months, on a regular basis, or sooner if need be — and the next meeting will be within the next three months — to stay abreast and to stay on top of the trade negotiations with the United States. The Prime Minister offered this as an historic opportunity for the provinces, Mr. Speaker, to participate fully with the negotiations that are going on with another country.

And as you know, Mr. Speaker, obviously government-to-government negotiations around the world take place between the federal government here and a federal government in other places, and certainly the federal government in our country has the right to sign international treaties without the support of the provinces. The Prime Minister said every three months the first ministers will meet to review and to discuss and examine the strategy and examine the negotiations in detail.

The third part that was discussed, Mr. Speaker, was how the provinces will be participating fully in the negotiations. And the Prime Minister outlined four ways that we can participate.

The first is that we will have professional committees that have now met five times, and get full access to the information from Mr. Reisman, the federal negotiator, and will continue to get access. Mr. Art Wakabayashi is our professional negotiating chairman.

Secondly, the ministers of trade will have access to all the information, and they can bring committees together that involve business, labour, or other people, and they will be given full access to the information.

Third, as I mentioned, the first ministers of Canada will have all the information and can meet with the Prime Minister at our call, or his call, and, at a minimum, every three months.

And fourth, Mr. Speaker, if after the next period of time within the next three months that the Prime Minister or the premiers or the first ministers want to have more information or more participation, including having people sit in the rooms or people having reporting mechanisms or whatever, all that will be reviewed and can be adopted if we all believe that it's important.

The fourth thing that was discussed, Mr. Speaker, is the ratification process. And we will put the final package together when we meet in August or the first part of September.

And the upshot of the entire discussion, Mr. Speaker, was simply this: that without a consensus you will not have trade negotiations that work. We agreed that we have federal jurisdiction in some areas, provincial jurisdiction in others, and in some cases they even overlap.

Mr. Speaker, we're looking at this as a board of directors for Canada or, if you will, a large cabinet for Canada. We believe that no trade negotiations will take place that have an impact on the auto pact or on agriculture or on marketing boards or anything else unless there's a complete consensus among the first ministers. Mr. Speaker, we will be putting the ratification mechanism to bed. We'll put the final touches on it when we meet in August or September.

And finally, Mr. Speaker, I will just say that — and as it refers a bit to what we talked about with respect to question period — the entire strategy that we will use as a country in negotiating with another country, the United States, will be fully shared and designed and implemented by all the first ministers.

And that involves such things as were mentioned here today: the standstill strategy — what part of it can work, where the people in the United States can deal with it, where they can't; moratorium on certain kinds of things; the countervail; the tariff, the non-tariff barriers; the strategy that the provinces can use; the individual strategy that the Prime Minister can use in the federal government; the joint strategies we can use.

All of those are on the table under full discussion and scrutiny of not only the Prime Minister and the federal government but all the provinces across Canada. And obviously that includes all political parties and all premiers. And all of them agreed last night, Mr. Speaker, that it is a full partnership, and that we will be going into negotiations standing together, shoulder to shoulder, and negotiating what we believe to be an very historic arrangement with the United States, where we can have more liberalized trade, more access to markets, more access to jobs, and a symbol for not only generations to come, but indeed, Mr. Speaker, for the rest of the world.

Some Hon Members: Hear, hear!

Hon. Mr. Blakeney: — Mr. Speaker, I will just add a word or two. No one agrees more fully than do I and my colleagues with the need to fight protectionism in the United States. The GATT negotiations of previous years have been fully supported by the New Democratic party federally and provincially. And everybody agrees on the

need for negotiations to protect existing markets. Not everybody agrees to complete free trade.

We, for our part, don't understand why we need to dismantle our brewing industry and our dairy industry and our poultry industry and our egg industry in order to protect markets we have now had. What we need is governments who are willing and able to negotiate to ensure Canadian access to the United States markets that we already have, and, vice versa, United States access to Canadian markets which we already have and already negotiated over the past several decades. Everybody agrees to protecting markets we now have. In the past, this has not been a major problem. Only recently have our governments in Canada failed to keep the doors open. And I hope that we can do better than we have done over the last two years in keeping the doors opened to U.S. goods in Canada and Canadian goods in the United States.

But, Mr. Speaker, I don't have confidence in Mr. Mulroney's government that the Premier obviously does, and I don't think that there's very much in the last two years which gives anyone a basis for confidence. I only hope, Mr. Speaker, that all of the talk which we have heard from Ottawa, and now from Regina, will lead to a more effective strategy than the ones we have now seen; will lead to someone speaking for Saskatchewan and speaking for Canada, speaking in a clear way to keep our markets opened; and not simply talking and pleading and promising to hug, and not promising to stand up for Saskatchewan and Canada.

Some Hon Members: Hear, hear!

POINT OF ORDER

Mr. Klein: — Mr. Speaker, before orders of the day, I rise on a point of order.

Mr. Speaker, last night in committee, the member from Assiniboia-Gravelbourg used a term that, in my opinion, was very degrading to a valued sector of our ethnic culture and that I found personally disturbing. Having worked a long time, Mr. Speaker, with the Chinese community in this city, I believe his remarks cast a racial slur on my Chinese friends when he said, and I quote from *Hansard*:

And would give your candidate down there at least a Chinaman's chance.

Mr. Speaker, I feel that the member should retract his statement and offer an apology to all those that he offended with those remarks.

Mr. Speaker: — As you can appreciate, I was not in committee. I will take time to review the record and bring back a ruling tomorrow.

ORDERS OF THE DAY

Hon. Mr. Berntson: — Mr. Speaker, in the interests of time, there has been an understanding worked out between the government and the opposition that private members' day would be waived today and we'd go direct

to government orders. So I ask leave of the Assembly to move down the order paper to government orders, Mr. Speaker.

Mr. Speaker: — The House Leader has asked for leave to move down the order paper to government orders. Is leave granted?

Leave granted.

GOVERNMENT ORDERS

SECOND READINGS

Bill No. 47 — An Act to amend The Direct Sellers Act

Hon. Mrs. Duncan: — Thank you, Mr. Speaker. Hon. members, Mr. Speaker, have been given copies of the proposed amendments to The Direct Sellers Act. These amendments are significant and will enhance consumer protection in Saskatchewan, where direct sales transactions are involved.

Hon. members will perhaps know that under The Direct Sellers Act a recession or cancellation right exists. This is a special right, Mr. Speaker, not found in many other pieces of legislation. The cancellation right exists because of the nature of direct sales, which are normally transacted in the home, where buyers may be more susceptible to high pressure sales tactics or other dubious selling practices. Senior citizens, widows, and rural people are often the targets of a few unscrupulous direct sellers who may be operating in the province.

The time during which the recession or right may be exercised is often referred to as "the cooling-off period." Mr. Speaker, the first amendment would extend the cooling-off period from the existing four days to 10 days. Consumers would, under the proposed amendment, have 10 days to cancel any direct sales contract.

This is especially important for senior citizens or people living in rural areas who may not have the same access, or easy access, to information or government offices as people living in larger urban centres. I feel that extending the cooling-off period from four to 10 days, Mr. Speaker, will only cause problems to those sellers who engage in questionable practices, and will not at all affect the many, many good direct sales people that we have working in the province.

(1445)

A second important amendment would now regulate sales made by telephone, or what we refer to as telephone solicitations. Many hon. members will themselves have had the experience of being solicited by telephone. And, Mr. Speaker, I speak in the context of direct sales only, of course.

But consumers generally have experienced, or experience, a growing number of problems connected with telephone soliciting. The practice has grown tremendously in the last few years. While there is nothing at all wrong with this very effective sales technique, there is a clear need for some type of regulation to curb abuse.

The proposed amendment would allow a regulation of people who engage in telephone selling. The same protections, such as cancellation rights, would exist as for other direct sales transactions. Contracts made by the telephone would be subject to cancellation by the consumer.

Mr. Speaker, another amendment involves a proposed change to five-year licensing of direct sellers from the current one-year issuing. The department has moved to five-year licences in a number of similar areas over the last few years.

Significant savings in administration and improved efficiencies have resulted. Administrative costs represent about two-fifths of the total licence fee at present time, where the direct sellers' licensing is concerned. Accordingly, a vendor who cancels before the end of the third year of the proposed five-year licence would also receive a refund upon request.

Mr. Speaker, the same level of consumer protection is assured, despite eliminating the unnecessary annual licensing. The protection afforded by the bond, which direct sellers must post at the time that the licence is issued, still prevails.

Another amendment would make it an offence, Mr. Speaker, to carry on business of a direct seller without having secured the necessary penal bond, or after a bond has been cancelled. Members will appreciate that this deterrent is necessary to better protect the consumer. Unscrupulous direct sellers will think twice before attempting to avoid their bonding responsibilities because of the possibility of criminal proceedings and penalties.

The Bill does not affect the civil rights of Saskatchewan citizens, and no additional administrative or other costs will result from these amendments. In fact, Mr. Speaker, there will be significant savings for Saskatchewan taxpayers and the industry itself.

Mr. Speaker, I would recommend that this Bill be approved by all members of the House and supported by all members of the House, and I now move second reading. Thank you.

Mr. Tchorzewski: — Thank you, Mr. Speaker, we, in the New Democratic Party caucus, are always interested in any legislation that may be in the interests of the consumer. And in the period of the '70s, I think it is well known that much of the consumer protection legislation which we now have on the statutes of Saskatchewan, including some provisions in The Direct Sellers Act, were introduced by a new Democratic Party government.

In principle, we do not disagree with what this Bill is proposing to do. We think that there are some good provisions in here, but I want to raise for the benefit of the minister — and then hopefully she will be able to respond better when we consider this later in her closing remarks and in committee — some questions that, I think, need to be answered.

The proposal that the provision apply not only to door-to-door sellers but also to direct sales by telephone strikes me as a welcome proposal. I have had experience and have had people from my constituency, as well as from other parts of Saskatchewan, talk to me about the kinds of telephone calls that they receive from people proposing to sell items and goods and commodities and to promote items, goods, and commodities. And I might say that some of the practices that have been taking place, I think, are not far from being able to be defined as harassment. And I don't know that this Bill will handle that. In fact, I suspect it will not, because I really do not see how some of this will be enforced, but maybe the minister will be able to explain.

I am a little concerned — and I refer now, Mr. Speaker, to the explanatory notes. On the first page it says that the Act will not apply to such a person if the contract is not part of an ongoing business and if the person is not ordinarily a direct seller.

Now I'm concerned about that because it seems to me to weaken the enforcement possibilities of this Bill. That, Mr. Speaker, has the possibility of being a loophole, the magnitude of which — as the proverbial saying goes — a Mack truck could drive through. And we will be very interested in hearing from the minister, and particularly with the help of her officials in committee, how this will now be able to be enforced, and how those who are involved in direct sales and may — and there are those who are not very scrupulous operators — how will they not be able to avoid having this legislation enforced with this kind of provision in the Bill. I am worried that this is weakening the Bill, and therefore we will want to study it some more, and I certainly hope the minister will consult with her officials about it as well.

Mr. Speaker, just another example of, I think, why we need to be looking at protecting citizens from some of these so-called direct sales people and direct sales people is, I think, best of all provided by the experience of particularly senior citizens who are, for example, taking advantage of the home repair grants, and then having people come around door to door, selling siding, window installations, you name it — even when they are not necessary; and this happens time and time again — saying that they are there under the authorization of the Saskatchewan Housing Corporation, not always being there under the authorization at all of the Saskatchewan Housing Corporation, and therefore taking, quite frankly, some people for a ride and causing a lot of grievance that need not be there. And I think, with an extension from a four to a 10-day period, this may assist in this, what I think to be a very serious problem area.

I refer now . . . In principle, Mr. Speaker, there is a suggestion in the Bill, or a proposal in the Bill, that the licensing should be extended to a five-year rather than the one-year. I simply ask the minister to consider whether that will be a fair provision. There are indeed university students who may take on a summer job as direct sellers. They don't need a five-year licence. Will this not — and I suggest it might — will this not put an onerous burden now on them, or high school students, who will now have to take out a five-year licence when they only need a licence for a summer, and a one-year licence could have

been quite sufficient?

I hope that the purpose of this is not to get some quick cash — because the amount for a five-year will be a lot more than it will be for a one-year — to help to ease some of the budgetary pressures that the Minister of Finance finds himself under in one year. I mean, you look after things one year, and you don't worry about the future. I hope that's not why this is here, and I hope that the minister will be able to explain why indeed it is necessary, and how the kind of people that I have just used as an example are going to be affected by this provision.

Mr. Speaker, also the bonding provision, although I don't object to it, I have a concern because I have seen examples, particularly in The Pyramid Franchises Act, and I know it's got nothing to do with this Bill, but it is similar to this Bill. But there are many, many examples where the department or the government has waived the bonding provisions for certain people who apply for a licence. The result of that, Mr. Speaker, is that then when people get caught, they have no recourse, because there is no bond on which you can claim against.

I would want the minister to tell us, when we consider this Bill in committee, whether there is that kind of exemption provided under The Direct Sellers Act and how many direct sellers or direct selling operations have indeed been exempted from the bonding provisions of The Direct Sellers Act.

I worry about the exemptions and the waivers because they certainly, I think, obviously open it up to political influence. And I'm not suggesting that's happening, but it certainly opens it up to that. And I don't think that in this kind of licensing operation that that should be open and available.

Mr. Speaker, I will have more to say on this another day when we've had a chance to consider the explanation which the minister gave in the House today, and therefore I would beg leave to adjourn the debate.

Debate adjourned.

COMMITTEE OF THE WHOLE

Bill No. 41 — An Act respecting Stock Savings Plan Tax Credits

Mr. Chairman: — Would the minister please introduce his officials.

Hon. Mr. Lane: — Thank you, Mr. Chairman. On my left is Jack Vicq, association deputy minister of taxation, economic and policy division; and on my right is Kirk McGregor, assistant director, taxation economic policy branch.

Clause 1

Hon. Mr. Blakeney: — Mr. Chairman, and Mr. Minister, a couple of questions on the general scheme of the Bill and how it's going to work. First may I ask, to what securities does it apply, more particularly . . . I'll ask you two or

three questions and I think this will outline the nature of the lack of clarity in my mind.

Does it apply to any existing securities, securities which have been issued and outstanding, to which I assume the answer is to be no. Does it apply to a securities issued by new companies, companies which are formed after the date of the Act coming into force where the securities are listed on a Canadian stock exchange — a small "c" Canadian stock exchange, one of the five stock exchanges in Canada, and I'll use Canadian not to refer to that stock exchange in Montreal known as the Canadian Stock Exchange, but to a Canadian stock exchange — where such securities are listed, and I take that to the answer to be yes.

(1500)

And the third question is the one I'm really directing my attention to. Where there is an existing company, let us take Develcon, which is listed on a stock exchange, and if it issues some securities, let's call them preferred shares, after the date of them coming into force of this Act, and let us assume that Develcon is a Saskatchewan company for the purposes of the definition, which I believe to be, will the Act apply to the new issue of the securities of an existing company? And if my previous assumptions were wrong, you'll correct me.

Hon. Mr. Lane: — It will not apply to existing securities; it will apply to securities of new corporations. It will apply to certain new securities of existing corporations.

If I can read the technical response to the latter aspect, the section 5, which deals with the eligible securities, prohibits, unless prescribed by regulation, securities eligible for other provincial or federal incentives from being eligible securities. Additional securities that are acquired pursuant to a stock dividend, a stock option, or a dividend reinvestment plan are not eligible securities.

Securities that fall into these classifications are prohibited because they do not represent new equity capital which is the thrust of the Bill, where there are, in some cases, other acquisition incentives that may have applied. The overall objective is new equity capital.

Hon. Mr. Blakeney: — Mr. Chairman, and Mr. Minister, this question may be too technical and have no real . . . perhaps it doesn't matter, is what I'm saying, but do the securities which qualify have to be an issue, a new class of security, or can it be more of the same? Thus if we have common shares outstanding — let's say the authorized capital of a company authorizes 10 million common shares, and 5 million are issued in outstanding, and there's a further issue of 1 million shares, will that qualify?

Hon. Mr. Lane: — The intent is, it would have to be a new class.

Hon. Mr. Blakeney: — And, Mr. Chairman, and Mr. Minister, I gather from what you've already told us that it has to be new in the sense of new capital, that share exchanges and the like, where a new class of shares is issued in exchange for the redemption or surrender of existing shares, will not qualify. There has to be . . . If there

is a thread running through it, new money has to be coming into the company, never mind what sort of paper pushing may yield that.

Hon. Mr. Lane: — That's correct. It may be money or other property that's new coming in.

Hon. Mr. Blakeney: — Now, Mr. Chairman, and Mr. Minister, with respect to the method of operation of the Act, do I understand it to be that the company will proceed in the ordinary way to issue its securities — it will obviously be trying to structure them so that they qualify — that these will be offered through the channels which it might otherwise have offered them had this Act not been in force; that individual investors will go to their investment company and in effect say, I am an investor, I would like to purchase shares in — I'll call them qualified shares — and he purchases them in the ordinary way as he would purchase any other share that he might be dealing with — when I say share or other security, eligible security — then at the end of the year he goes to his investment house and they give him a statement of his net purchases, If I may say so, that he may have purchased and sold during the year, and on that basis he applies for a rebate. Is that about how it works?

Hon. Mr. Lane: — The normal course would be that they would probably . . . You would have the corporation issuing the new issue. There would be the preliminary prospectus and then ultimately the final prospectus. There would have to be a certificate of eligibility, which will be issued by the investment dealer — Okay — so that would ensure that that particular issue is an eligible security. Once the investor then buys, he would get at the end of the year from the Department of Finance the statement as to his investment.

Hon. Mr. Blakeney: — Mr. Chairman, and Mr. Minister, is the tax credit available only if you buy this security at the time of its primary distribution, if I may use the technical term, or can you buy it secondarily? Can you buy it on the market, on the stock exchange, and still get your tax credit?

Hon. Mr. Lane: — No, it's for primary distribution.

Hon. Mr. Blakeney: — So if that is so, then clearly that makes it a good deal easier to handle, in the sense of administer. Then your investment dealer — and I'll use Richardson Greenshields as an example — your investment dealer would . . . he may be participating in the primary distribution. he doesn't need to be, but if it's underwritten by Pemberton, he could get part of the primary distribution. And you buy it at that time, and then that's all that needs to happen. But once that primary distribution is completed, then any trading in the shares is irrelevant from the point of view of qualifying for the tax credit.

Hon. Mr. Lane: — That's correct.

Hon. Mr. Blakeney: — Mr. Chairman, and Mr. Minister, how do you see this . . . I think you may have answered this before. I may not have fully understood your answer. How does this Act mesh in with The Venture Capital Tax Credit Act? Can you stack or are they alternates? It's

reasonably unlikely, I guess, that anything that would qualify for the venture capital tax credit would be listed. I suppose that's reasonably unlikely — but I don't know what the Alberta Stock Exchange is listing these days — but can you stack that or are they alternates?

Hon. Mr. Lane: — Listing of a venture capital is technically possible, but stacking will not be approved. We can't think of a circumstance where it would be approved; that's not the intent.

Hon. Mr. Blakeney: — Mr. Chairman, and Mr. Minister, what other tax credit arrangements, if taken advantage of, disentitle one to apply for and receive the stock savings plan tax credit? What other kinds of tax credits disentitle you?

Hon. Mr. Lane: — The following securities: I've indicated the unlikelihood of venture capital tax credit; the share purchase or scientific research tax credit, provided for pursuant to the federal Income Tax Act. I might add that I note further, that clause 5(2)(b) provides that where an investor has incurred certain resource-related expenses under an agreement to acquire shares, these shares will be ineligible, unless prescribed by regulation. These resource-related expenses include Canadian exploration expenses, Canadian development expenses, and Canadian oil and gas property expenses. So we're not trying to add a stacking on to some of the federal initiatives, and they're excluded.

Clause 1 agreed to.

Clauses 2 to 11 inclusive agreed to.

Clause 12

Hon. Mr. Blakeney: — Mr. Chairman, and Mr. Minister, on clause 12, and I obviously might have asked this on an earlier clause, and perhaps should have. Is this Bill patterned on any Bill which is operating now in any province of Canada?

Hon. Mr. Lane: — It's patterned generally on Alberta's.

Hon. Mr. Blakeney: — Mr. Chairman, and Mr. Minister, does it have any marked differences from the Alberta legislation?

Hon. Mr. Lane: — Alberta, of course, has differences on the stock exchange. They're, I believe, using the Alberta Stock Exchange . . . (inaudible interjection) . . . No, but we are using . . . because we don't have one here, we are using all of them. Alberta also recognizes three types of corporations and a different tax credit for each. Those are merging, expanding, and mature corporations. We just took the one level applying to all.

Hon. Mr. Blakeney: — Mr. Chairman, and Mr. Minister, and again I apologize to the Chairman because perhaps these could have been asked under some other heading. This has to do with it being a Saskatchewan company and what the qualifications are. Do I understand that in summary, 25 per cent of the payroll has to be in Saskatchewan? Is that a fair summary? And would you refer me to the provision which defines the eligible

companies as opposed to eligible securities.

Hon. Mr. Lane: — Mr. Chairman, the hon. member, section 6(1)(e), the corporation incorporated in Canada. It must have a permanent establishment in Saskatchewan on the date of the certificate of eligibility, with a permanent establishment not less than 25 per cent of all wages and salaries paid in the year by the corporation.

(1515)

Subclause (4) in section 6 — I won't get into the details — is designed to exclude things like holding companies; and then the assets of less than 500 million.

Clause 12 agreed to.

Clauses 13 to 20 inclusive agreed to.

Clause 21

Hon. Mr. Lane: — Clause 21 has a House amendment substituting the word "the minister" for "Her Majesty."

Mr. Chairman: — The amendment reads as follows, at section 21 of the printed Bill:

Amend section 21 of the printed Bill by striking out "the minister" in the first line and substituting "Her Majesty."

Clause 21 as amended agreed to.

Clause 22

Mr. Chairman:— We also have an amendment to section 22, and it reads as follows:

To amend subsection 22(5) of the printed Bill by striking out "subsection 4" in the first line and substituting "subsection 3."

Clause 22 as amended agreed to.

Clauses 23 and 24 agreed to.

Clause 25

Hon. Mr. Blakeney: — Again, Mr. Minister, this might well be asked under another clause, but with respect to the dealers, is there any restriction on the investment dealers who can issue the certificate? Is it required that they be registered, let us say, with the Saskatchewan Securities Commission as an investment dealer or a broker dealer, or do they have to be members of the Investment Dealers Association of Canada, or any other qualification?

Hon. Mr. Lane: — A qualified dealer is defined in the Act in section 2. It is defined as a person who has a permanent establishment in Saskatchewan and who is a member of the Investment Dealers Association of Canada, or a member of one of the four Canadian stock exchanges. This definition excludes brokers who are able to sell public offerings in Saskatchewan who are not members of IDA or a Canadian stock exchange. The reason for that is

that the IDA has a national contingency fund which is some protection to investors. They also have a higher capitalization than would others, so it's a protection for the investors, as opposed to any other reason.

Clause 25 agreed to.

Clauses 26 to 31 inclusive agreed to.

The committee agreed to report the Bill as amended.

Bill No. 42 — An Act to amend The Income Tax Act (No. 2)

Clause 1

Hon. Mr. Blakeney: — Mr. Chairman, and Mr. Minister, we're dealing with Bill 42, An Act to amend The Income Tax Act. And this Bill, Mr. Minister, contains a fairly substantial number of what appear to me to be technical amendments, but it is also characterized by what it does not contain.

It does not contain— at least I would say does not contain — anything which would move us towards the tax reform which was spoken of so highly by the member for Kindersley a year ago, a little more than a year ago. And we are simply finding nothing here which could be called tax reform, if by tax reform we mean tax simplification or tax fairness.

The Bill itself is replete with the most complicated provisions that one could find anywhere, and this from a government which has spoken, and spoken often, of tax reform. I mentioned some of these matters earlier in another debate, but I want to remind members again just how complicated the provisions of this legislation are, and what little has been done in order to achieve the provisions of tax reform which have been spoken of so frequently by members opposite, and particularly by the member for Kindersley.

I look at, for example, the new section 10(3), and it is just about incomprehensible even if you had two tax lawyers. I'll just read it. I just use this as an example, Mr. Chairman.

Where this section is applicable to the computation of an individual's tax payable under this Part for a taxation year, the amount, if any, by which the aggregate of all amounts deducted under subsection 8.3(1) in computing the individual's tax payable for the preceding years exceeds the aggregate of the provincial taxes as determined under clause (1)(b) is to be added in computing tax credits allowed pursuant to subsection 8.3(1).

One is perhaps not expected to be able to understand changes in subsections, but that is a very good example of why the ordinary citizen finds The Income Tax Act absolutely and totally incomprehensible, and why a very large and increasing number of citizens with pretty ordinary incomes are having to go to tax consultants and tax advisers in order to get their income tax forms completed.

I know that the proposal for a simple, clear, and fair income tax system is perhaps visionary, but we don't need to make it more and more complicated with every single piece of income tax and corporate tax legislation which we introduce. We don't need to do that, but we certainly do it. And we find ourselves making our tax system more and more complicated, more and more arcane, so that it becomes impossible for an ordinary citizen and, in many cases, an ordinary lawyer to understand what the Act is saying. It certainly is a matter for great regret that this Bill before us continues the practice of making our tax system more complicated.

Mr. Chairman, I mentioned what was not in the Bill, and what is not in the Bill is any action with respect to the flat tax. And while I will not repeat all the arguments I have given on several occasions here about the unfairness of the flat tax, I will raise it once again, and raise the fact that any tax calculated on the basis of net income, being line 224 on the T1 General, is bound to be a very unfair tax in its application, since it allows virtually all of the ordinary business deductions — with the exception, perhaps notable exception, of the dividend tax credit — and allows virtually none of the deductions which ordinary people look to to reduce their income tax, and I will refer to a few of those again.

There's the married exemption which is not available; the exemption for dependent children which is not available; the exemption for medical expenses; exemption for charitable donations; the deduction for blind persons or persons confined to a bed or wheelchair; well, a number of others — some of them are financial in nature.

But the ones that I have mentioned, and one or two others, are the ones which are for the most part used by people of ordinary income to reduce their tax. They are not able to use what everybody has for many decades agreed as reasonable exemptions in order to make the tax system fairer. They are not able to use those in the calculation of their flat tax. And I find that a matter for regret, and I am sorry that this Bill does not contain provisions which will make the flat tax a fairer tax or, as I and my colleagues would advocate, eliminate it altogether.

I want to refer again to what I referred to in a general way in second reading, and that has to do with the repeal of section 8.2 of the Act. And I again feel that this is unfair for the minister to have done what I understand this section does. I mentioned the reasons for it in second reading, and I won't belabour those until we have an opportunity to consider that particular section in committee.

I want to say that I will be asking some questions about section 9 and the livestock facilities tax credit and just exactly how they mesh in with the existing income tax provisions.

Mr. Chairman, I guess that's all the comments I will make at this stage under this first section, and we'll deal with one or two of the others as we go through the Bill.

(1530)

Mr. Shillington: — I want to make a couple of comments,

too, about the complexity of the forms. They really are getting awesome, particularly in this province where we have a number of innovative — I'm being very flattering to call them that — a number of innovative features to The Income Tax Act. I hear people of ordinary means who complain of a tax form being 20, 30 pages long. I personally know that my own was 46 pages long. Now that includes some income from my law office as well, but it's still getting to be a very complex form. And I wonder, Mr. Minister, if any serious thought has been given to attempting to simplify these forms.

It used to be, even a decade ago, people who were self-employed could, by and large, complete their own income tax. Sorry — people who were employed could complete their own income tax. It's getting so that fewer and fewer can do it. If you have anything beyond a simple T-4 slip, it's getting very, very difficult to do. And I wonder, Mr. Minister, if any thought has been given to try and return the system to something that's more manageable and a little less complex.

Hon. Mr. Lane: — If I may, Mr. Chairman, I would respond to the Leader of the Opposition's comments about complexity as well, and I share the concerns. I think, on the question of complexity, we realistically have to go back to the Benson reforms. And prior to 1971, I say, and I'm sure that the last two opposition members that have spoken will agree with me, that prior to that time the Act was drawn and written by lawyers. Subsequent to that time, it became drawn and written by accountants, and of course as a result, quite frankly, a different technical language came into play. That has continued and obviously exists today.

I can recall when the major amendments came in, I believe for 1971, after the Benson review, that there were many people that made the decision then that they would no longer bother filling out their forms and turn it over to qualified accountants. So it's not new, but the problem is getting increasingly greater.

There is some, I gather, initiatives at the federal finance level to try and redraft the federal Income Tax Act. I don't know where that's going to go, but there are some internal initiatives along those lines.

Secondly, I suppose the alternative as it applies to Saskatchewan taxpayers would be, is that Saskatchewan to collect its own income tax. The difficulty with that is the cost of our estimates is in the range of somewhere between 20 and \$30 million a year. It does have some advantages, although we have two systems. In fact, we could deal with the question of simplicity.

Secondly, it would allow us to more finely tune the tax system and the fiscal policies to stimulate specific activities in the province. But overall I do suggest that the question of complexity comes about as a result of the fundamental change in the thrust of the Act, the drafting of the legislation as a result of the Benson reforms going back to 1971.

Mr. Shillington: — Well part of the complexity of the Act comes about because one seeks to achieve so many different purposes under The Income Tax Act apart from

raising revenue. One seeks to spur investment in oil wells in the oil field. One seeks to provide a decent level of housing for Canadians. One seeks to spur investment in our cultural life through films. And now one seeks to provide, I gather, investment in Saskatchewan companies through a piece of legislation here. All of those things add to the complexity of The Income Tax Act because you're attempting to do so many different things that raise revenue.

I suggest to you, Mr. Minister, that you're not going to be able to simplify The Income Tax Act until you return the Act to the purpose of raising revenue and pursue all of your other goals through some other means. The vast bulk of the area in The Income Tax Act is taken up filling in blanks which have very little to do with raising revenue for the state. We're filling in blanks with respect to various tax shelters. We are filling blanks with respect to Canada pension and all of those things.

I'm not arguing with any of those things as such. But I say you're not going to be able to simplify the form until you return the tax system to its function of raising revenue. As long as you continue to bring in Bills, as you did the other day, providing for an investment tax credit for investment in Saskatchewan companies, you're going to continue to add length to the income tax form. And I suggest to you, Mr. Minister, you have done that with the Bill which was given second reading the other day.

So I think, Mr. Minister, while you may pay lip-service to simplifying the form, the manner in which you and yours and other Conservative governments in this country proceeds, in fact makes the form more complex, not less complex.

Hon. Mr. Lane: — Again, we agree with the issue of complexity, but we can attempt to stimulate the economic activity in one of two ways, either directly or indirectly. And we could debate that for a great deal of time.

I can think of initiatives where they've done it directly — the former federal government's initiatives in the oil industry with grants for oil well drilling and development. And let me assure the hon. member, if you've seen any of those forms, that was not an exercise in simplicity.

So we have two choices. The question of the particular Bill before us and the argument of complexity, I believe virtually all of those complex amendments are at the request of the federal government bringing it in line with the existing Act, the one exception being the provisions that we are bringing in with the two-year corporate tax holiday. There is a degree of complexity because we want to eliminate from that provision things like the holding companies, the service companies, so that there is a degree of complexity as a result of that initiative.

The other ones are responses and requests by the Government of Canada to bring the Act in compliance with the federal Income Tax Act.

I wonder if I may respond to the Leader of the Opposition. We've debated, over the last couple of minutes, the question of complexity. If I can respond on the capital

gains rebate issue that you raise, and perhaps answer the concerns that you've raised — we were obviously aware, in bringing this back and making it retroactive, to the effect of the federal 500,000 capital gains rebate, that some taxpayers are not eligible for the full \$500,000 capital gains rebate in the first year. Only farmers and fishermen were eligible for the first year.

When we went back and calculated the number who would be taking advantage — there are approximately 800 in a year — taxpayers who are applying for the provincial capital gains rebate. Three per cent, I believe — 97 per cent were farmers, so they are covered off. It would have meant maintaining the Bill for approximately 3 per cent.

It comes out to about 20 small business in a year, with an average of approximately slightly under \$3,000. What we would propose to do is use the remission to deal with that very few number. But rather than maintain the other system for that very few, this is the direction we chose, but those people will not be penalized as a result of that change.

Hon. Mr. Blakeney: — Mr. Chairman, and Mr. Minister, thank you for that information. With respect to basically small-business people who may have sold their businesses in the expectation of having the right to apply for a rebate of taxes on capital gains and who will have observed this legislation and noting that it is made retroactive, my question, or my suggestion to you would be to be sure that this information, that the rebate in effect is still available through the remission procedures; that this information is made available to lawyers and chartered accountants.

And I know it's early and the Bill isn't passed, but I have been approached by at least one chartered accountant who is inordinately well-informed, ordinarily, because it's a company which is the largest company and specializes in these areas, and he was able to tell me how these things would work. And he was not aware of your proposed policy with respect to remissions. And I would urge — what I suspect you will do in any case — but I would urge that care be taken to see that that gets out there among the professions who may be called upon to advise with respect to this matter.

Hon. Mr. Lane: — Certainly. As I say, the numbers, when we looked at those affected, of less than 3 per cent, and some probably less than \$60,000 in a year, as I indicated, rather than maintain the existing process and structure, we felt that this was a more expeditious way of dealing with it. But I accept your suggestion, and we will certainly communicate with those who would advise the public so that they are aware of it.

Mr. Shillington: — Mr. Minister, I want to raise with you the question of the repeal of the flat tax. I was reading the other day, Cardinal Richelieu once said the art of taxation is to get the maximum amount of feather from the goose with the least amount of squawk; you seem to have maximized the squawk and minimized the feather that you're getting.

Mr. Minister, your tax is both unpopular and it . . . And I

wonder if it's raising as much revenue as you had anticipated it might, Mr. Minister. It's unfair, it's unpopular, and I wonder why you feel it necessary to perpetuate the mistakes of your predecessors. This, as we will remember, Mr. Minister, was part of the most intelligent budget ever, which was a good many things, but it wasn't the most intelligent budget this government, or any government, ever brought in.

Mr. Minister, the tax is unpopular; it's unfair; it is likely, I think, to be adopted by no one. You add again a complexity to the Saskatchewan forms, because you persist with this tax which grates on Saskatchewan people, and it sticks out. I wonder, Mr. Minister, why you just don't admit the obvious, repeal this unpopular and unfair tax and, at the same time, not coincidentally, simplify the form.

Hon. Mr. Lane: — Well we will be in the public debate on the flat tax for some time. I view the flat tax and the concept of the flat tax as a way to do two things: begin to start the process of simplification; and secondly, to tax those who would normally avoid the payment of tax.

And I think we're starting to see the thrust and the success of a movement to a simplified system in the United States. I don't for a moment suggest that we will see it immediately in Canada, but I do believe that there is some public sentiment in favour of a simplified tax form.

(1545)

Now I don't know how much the hon. member wants to debate the budget of a year ago. I mean, we can continue that for some time — that, you know, many people, over some 220,000, pay less tax.

If I do the comparison of the 1981 income tax guide for Saskatchewan for 1985, I note that those with a taxable income of 5,000 are paying \$34.60 less tax, including the flat tax, than they did in 1981. That's about a 9 per cent decrease. I note that those paying . . . with a taxable income of 10,000 are paying \$60.20 less, with the flat tax. That's 7 per cent reduction over 1981. Fifteen thousand taxable income were paying \$127.50 less. That's 9 per cent less than they did in 1981. Those with a taxable income of \$20,000 are paying \$214.50 less. That's 11 per cent. Those paying . . . with a taxable income of 25,000 are paying \$316 — a 12 per cent decrease. Now admittedly not 10 per cent across the board, but we're getting very, very close to that.

We note the numbers, with the adjustments in the flat tax last year, of the increase in the tax reductions for low income from 160 to \$260; the decrease in the personal income tax rate, from 51 per cent down to 50 per cent. Obviously we can debate taxes, the calculation, whatever, for some time. And we will get an opportunity at some time in the not-too-distant future to debate it even more vigorously.

Having said that, the flat tax as a concept does have the advantage of simplicity, and it does have the advantage of fairness. And I would hope that the hon. members would look at it in that light and endorse the concept.

Mr. Shillington: — Fat chance of that! If you want to make yourselves unpopular with the Saskatchewan public over a tax that doesn't raise much revenue, that's your choice. Don't expect us to follow you over the cliff. One group of lemmings in this province is quite enough. Both major parties needn't adopt those ways.

Mr. Minister, do you know of any other jurisdiction that is seriously considering repeating this blunder?

Hon. Mr. Lane: — Well, first of all, not many consider it a blunder. Certainly we are advised — not for any public discussion — we are advised that other jurisdictions are actively considering it, but they will obviously make their own decisions at the appropriate time.

Mr. Tchorzewski: — Mr. Chairman, I want to make a couple of comments on the unfairness of the tax system and ask the minister a question or two about something that, I guess, one could define as being relatively new, as it will affect certain categories of people in the province of Saskatchewan.

I was particularly interested in listening to the discussion about the complexity of the tax form, and I am led to believe, after taking a look at it over a number of years, and this has been happening for more than just four years, I will have to admit to that. But the tax regime in this country, and indeed in the province, has become so confused that it almost seems as if it's geared to benefit those who can hire lawyers and accountants to look after their tax dodges and tax loopholes; but ordinary people, wage earners, and people who have a home and go to work every day and come home every day from an eight-hour job, don't have those kinds of tax loopholes and don't have those kinds of privileges.

And so what has really happened is those who are really well off are getting more well off, because over time, as this confused income tax form and the confused tax regime, as it's developed, has been such that those who can afford to pay some money to save some money benefit a great deal, whereas ordinary don't benefit at all.

Other things . . . and the minister made some suggestions about how certain people have had their income taxes reduced over the period of years since 1981. I want to refer to those people in my particular comment here who carry the highest tax burden in the country, that's the middle-income earners. And a typical middle-income earner — and I will use that figure because it's both in the Finance Minister's budget of this year and in the Finance minister's budget of 1981.

So let's take the case of the family of four, with a wage earner of \$30,000 a year. In today's terms not a . . . This is total income of \$30,000. In today's terms, not considered a very excessive amount of income. If you have someone who is making \$30,000 a year, probably paying on a mortgage, with taxes, between six and \$700 a month, what's left to pay utilities, what's left to pay for the needs of the family is not a great deal.

Well in 1982, that \$30,000 earner paid the fourth lowest tax in Canada, income tax . . . I'm sorry, provincial income tax in Canada. The provinces of Quebec, New

Brunswick, Nova Scotia, Prince Edward Island, Newfoundland, all paid a higher provincial income tax on a \$30,000 income than did the citizen of Saskatchewan. So the Saskatchewan wage-earner of \$30,000 paid the fourth lowest.

In the present budget it is proposed from the tables that are here on page 56, that that same wage-earner, with all his or her increased costs because of inflation and other things — increased utility costs — is now going to pay the third-highest provincial income tax in Canada — from the fourth lowest to the third highest in a space of four years. That's what's happened.

And in many of the provinces where income taxes, provincially, were higher in 1982, are lower now for this particular income bracket — are higher now for this particular income bracket in Saskatchewan. And I say that that certainly is not my definition of making the tax system more fair. It's no wonder that people who sort of are in this range of income earners, the people who are still at the family-raising stage, are concerned about the fairness of our tax system. It is not fair.

Governments of all levels are to blame that it's not fair. And I've heard the minister say about what's happening in the United States, and also that hopefully, before too long — although at the rate we're proceeding now I think it will be a long time — some of those steps might be considered in Canada. I hope they are. I hope they are because the people of Canada and the people of Saskatchewan, I think, are being unfairly treated, and it shouldn't continue for too long.

In 1982 - 83 the total revenues projected from income taxes in Saskatchewan to the Saskatchewan treasury was 596 million. In 1987 the total income tax revenue in Saskatchewan is said to be projected for 698 million. That's an increase of \$100 million that people will pay in income tax in Saskatchewan in total. And those are just the figures from the budget documents of 1982 and the budget documents that we have before us in this session.

If you compare that to oil revenues, in 1982 oil revenues were projected to provide to the provincial treasury \$603 million. In 1987 they're projected to provide only \$510 million, almost \$100 million increase — decrease, pardon me.

From income taxes, an increase of revenues to the provincial treasury of \$100 million; from the oil industry and the oil corporations, a decrease projected of revenues of \$100 million, in spite of the fact that apparently there has been a lot of activity in the oilfields. And so one has to wonder, once again, what is the fairness in that? There are just too many loopholes, too many loopholes that benefit people who have a great deal, that benefit people who are powerful, but actually then turn around and take it out of those who do not have the power or do not have a great deal.

If you refer to . . . a provincial government gets portions of revenues from certain corporations and so on. But just the question of tax deferrals at the federal government level — it amounts to \$30 billion, a loan, in corporate tax deferrals, because they've got these loopholes and can

defer their taxes, which the wage earner doesn't have and cannot do.

Bell Canada owes the federal government \$1.5 billion. Imperial Oil owes the people of Canada \$1.4 billion in deferred taxes. Canadian Pacific, that great builder of this nation from sea to sea with its railway, has deferred \$1.7 billion in taxes. Shell Canada, \$817 million deferred in taxes; Inco, \$241.4 million deferred in taxes; Noranda, \$175.9 million deferred in taxes — it goes on and on.

And I know that that's not specifically having anything to do with this Bill. But it's the whole principle of what's been happening to our taxation system in this country, where middle income people are paying more and more, and lower-income people as well, in total; but those who are wealthy and can set their own rates are paying less because of this kind of an operation.

And so that leads to the whole issue of the flat tax. It is just another addition to this process, or to this unfairness, where certain people are able to have tax deductions, and so they don't have to pay this flat tax; but average, ordinary people, working people, do not have the luxury of those deductions and so they pay the full shot; they pay the full amount. And that's what makes that provision so unfair. And that's why, in my opinion, it ought to be removed because it only adds to the unfairness of the tax system which has become more and more unfair over the last many years.

Now if you take that flat tax and apply it to this one group of people that I said I would ask the minister about, and that is senior citizens, I think it becomes extremely more unfair.

We have provided, or the government has provided to senior citizens, something called a senior citizens' heritage grant. I am led to understand — and I hope the minister will correct me if I'm wrong — but I am led to understand that that senior citizens' heritage grant will be considered net income when senior citizens have to pay their income tax and calculate the flat tax. And the only reason I assume that is because I have not been able to get from other ministers an indication, or the letter that has been sent from the federal government, saying it will not be considered income.

And so I want to ask the minister: can he clarify that for the committee here today? Will the senior citizens' heritage grant be considered income for the purposes of calculating income tax? And if not, then will you please provide us with the confirmation from the federal government which confirms that they will make provisions in the income tax to make sure that it does not happen?

Hon. Mr. Lane: — I'll take the arguments in some order. I note, when you referred to the 1986 budget address for the fiscal year '86-87, you dealt with the provincial income tax, and you did not follow the column down. There are other sources of taxation in other provinces. There are retail sales taxes. They're as high as 11 per cent in some provinces. They're 6 per cent in NDP Manitoba. There are gasoline taxes, which have various ranges, which are paid in provinces like Manitoba. I could go on.

This province has reduced retail sales taxes, eliminated the gasoline tax. We have amongst the lowest car insurance rates, lowest telephone, home heating, electrical charges amongst the lowest in Canada.

(1600)

So that a person with a total income of \$30,000 is paying less to government in Saskatchewan than any other province in Canada except the province of Alberta; that a taxpayer with a total income of \$20,000 is paying less to government in Saskatchewan than any other province in Canada. When a taxpayer has a total income of 40,000 the taxpayer in Saskatchewan is paying less to government than any other province in Canada, except for the province of Alberta.

So I know your argument isn't washing out there, because people realize that they are looking taxes from all sources and are responding and recognizing that the flat tax is the only way to tax those who are avoiding paying tax. And if we look at those — the effect of the flat tax — we look at those earning \$100,000 a year paying nearly \$1,000 more in tax; those earning 75,000 paying \$625 more in tax; those earning 50,000, by way of example, \$430 more in tax as a result of that initiative.

Given the effect of the flat tax and the fact that 220,000 taxpayers are paying less as a result of the flat tax, I really thought that the hon. member would be supporting the government's initiatives and would be supporting the flat tax. I get surprised, and I know many taxpayers do, when they find out that the members opposite, when they are critical of loopholes, are critical of the child tax credit, which is a tax saving — and if you called it a loophole, I didn't — for low-income earners; that the Saskatchewan tax reduction for low income, which last year went from \$160 to \$260, applicable to low-income people in Saskatchewan — lower-income people — you call it a loophole. I say it's fairness.

An Hon. Member: I wasn't referring to that.

Hon. Mr. Lane: — Well, I mean, do you want the blanket statement? You said all of these things were bad; I don't suggest they are. So I make reference to a couple that come to mind. I get surprised when I hear that, you know, the rich should pay more, and large corporations should pay more. Let's keep in mind that it was this government that increased the corporate capital tax, so that our large corporations and the banks are paying nearly \$20-some million in additional tax this year.

I remind the hon. member, when you talk about CPR, which I think you wanted to buy at one time, that we're the ones that increased the fuel tax on interprovincial transportation, the railways and the airlines, to the highest in Canada. So that we are attempting to recover some of that tax and some of that revenue from the large corporations.

When we increased the corporate income tax for large corporations to the highest in Canada, an attempt to tax the large corporations, I would have thought that you would have supported that initiative. I note that subsequent to our budget that the NDP in Manitoba did a

"me too" approach and raised it to the same level.

So as I say, we can debate. We do have common agreement on the difficulties of the complexity of the system and recognizing alternative ways of doing it. As I say, when we are tacking on to a national tax program and tax form, the reform has to come at that jurisdiction, the other alternative being Saskatchewan to collect its own income tax.

Conceptually I personally don't have difficulty with Saskatchewan collecting its own income tax, but the cost is some 30 — I believe in the range between 20 and \$30 million, and I have difficulty justifying that expenditure. But it would allow us to simplify; it would allow us to target much more finely the economic incentives that perhaps we agree or disagree on from time to time.

So having said all of that and gone through the actual real position of the Saskatchewan taxpayers, I get frankly disappointed when there are initiatives with the corporate capital tax, there are initiatives to the higher corporate income tax, that there are initiatives on the flat tax which impact heavily on high income taxpayers, and other initiatives to reduce tax, that the hon. member wouldn't have been more supportive of those initiatives to be consistent in his argument.

Mr. Tchorzewski: — — Well, Mr. Minister, you forgot to answer the question, but I will re-ask it after I correct some errors, which you have just made.

Indeed there are some people disappointed, and I suggest to you that it's the taxpayers of Saskatchewan who are disappointed, and gravely so. Having been promised an income tax cut of 10 per cent, they have seen an income tax increase of a considerable amount.

I find it rather interesting, your use of selective figures at different points in the debate. A few moments ago you just supplied some figures which showed how much the \$20,000 income earner had a reduction in his taxes, or her taxes. You said there was several hundred dollars in which a \$20,000 income earner pays less in income tax. Now when I outlined for you what I think are some serious problems in the tax system, you stand up and you use a different set of figures. You talk about total taxes. Well let me talk about total taxes. Let's take that \$20,000 income earner — once again not an income of considerable amount — and let's see what's happened to that \$20,000 income earner in the last four, now going on to five years.

This individual supporting a family of four has had in just taxes alone — that's provincial income tax, tax credits and rebates, health premiums, retail sales tax, and gasoline tax . . . And I will concede some of those don't exist in Saskatchewan. Premiums don't exist in Saskatchewan for health care; the gasoline tax no longer exists. But how has this \$20,000 income earner been affected since 1982?

Well he or she has had the property improvement grant eliminated; they've lost \$230. So that's a tax increase of \$230. No one can argue that. They probably had their property tax increased by about \$200 since that time. And

it's probably more than that, but I'll use — and I apologize for using the word, but I'll use some "conservative" figures when I say a \$200 increase since 1982 on his property.

A person earning \$20,000 a year supporting a family of four, including that person, is going to pay in 1986 at least \$761 more in taxes and other charges . . . (inaudible interjection) . . . I didn't talk about all this whole other list — the minister did, and I'm responding to what he said — of \$761 more.

Mr. Minister, now if you want to talk about only taxes that they pay to the provincial government — forget about the other charges — that individual is going to pay in 1986 in provincial taxes, \$909. In 1982, that individual paid \$865. It's not a terrifically great increase, but it contradicts what you said a little while ago in which you said that a \$20,000 income earner was going to pay less taxes in Saskatchewan than he did four or five years ago. So I simply want to point that out so that it's clear for the record and that there is no confusion.

Now if you take the increase in total taxes and charges — and in charges I will include car insurance, telephone, home heating and electricity, because they pay that to the government, to monopoly services corporations. I don't object to that. I happen to favour that approach for utilities. If you add that increase of \$761 that a \$20,000 income earner is going to pay, if you add to that the \$500 a year in additional taxes that person is going to pay to the federal government under this unfair tax system, that individual's taxation and charges are going to increase by \$1,261. That's what they're going to pay this year more than they did in 1982.

Surely anyone earning \$20,000 a year shouldn't have to pay this kind of increase in taxation . . . (inaudible interjection) . . .

Well, the member from Weyburn keeps nattering away consistently from his seat and wonders how we're going to pay for the deficit. Well he's obviously not understanding what's happening here. Here we have a government that's taxing people more and more and more, but in spite of that has increased their deficit from a surplus situation in 1982 to a deficit of over \$2 billion. Now that can only add up to one conclusion — gross mismanagement.

How can you increase your revenues by huge amounts by taxing people more and still end up having a deficit of over \$2 billion? I suggest to the member for Weyburn it doesn't take very fancy mathematics to figure that out. It only takes the ability to understand and to read. And I would suggest that he do that; pick up the budgets from 1982 or back further, and pick up this present budget and do your sums, and you will see what's been happening.

Mr. Minister, I didn't mean to make a long speech on this because I wanted to ask you . . . but the member from Weyburn seemed to want to learn what the problem is. I simply wanted to ask you: are senior citizens' heritage grants going to be taxable, income taxable, and therefore will the flat tax apply as well?

Hon. Mr. Lane: — We look forward to the debate on the so-called surplus that you alluded to of some 139 million. We've done some calculations that even if that were there, based on your budget of 1982, and you were expending somewhere on the average in 1982 about \$8.5 million a day, the surplus would last you some, what? — about 17 days. So we thank you for that great kitty that was left . . . (inaudible interjection) . . . And as a matter of fact, to the hon. member, I think it's one debate the public will enjoy.

Again we can go back over the debate as to the amounts. I've given the tax guides, which compared 1981 and 1985, and it's getting pretty close to that 10 per cent reduction. We've talked about the total tax paid. And when I talked about that, I didn't talk about the reduction in the gasoline tax in SGI, the reduction of the sales tax on power utilities, and some of those other initiatives that were taken. But again we could come on and debate that for some time.

I do leave with the hon. member an answer to an earlier question, which is dealing with the seniors' heritage program. That is not taxable income.

Mr. Tchorzewski: — Thank you, Mr. Minister. I've heard that said and I really don't want to question that. But can you table for us or can you undertake to send me the confirmation that you have received from the — I guess, it would be the revenue department of the federal government, or from the federal government itself at the political level — the letter of the memo or whatever it is that they have provided you assuring that that will not be taxable, because you will agree that whether it's taxable or not will depend on the income tax form. Have you that assurance, and can you provide it to us?

(1615)

And I ask you . . . One of the reasons I was reminded to ask you is because I was this weekend at a senior citizens' annual convention in North Battleford — Action Now — and they were extremely concerned because they have not been able to get that assurance other than somebody saying it's not taxable. So are you able to provide us with that information? And if you are, can you do that today, or another day soon?

Hon. Mr. Lane: — Well we don't have the information. It's not a political response that's required; it's an interpretation of the interpretative bulletin by the federal tax officials that it's not taxable, which is the traditional way of responding to tax measures.

I know the hon. member is disappointed in the response that he got at the senior citizens' Action Now to the particular initiative, or to his talk to the senior citizens' Action Now. But it's no need, you can carry out the assurance that it's not taxable and maybe talk to any of those who would raise some concerns with seniors.

Mr. Tchorzewski: — Mr. Minister, I hear you say . . . If it's this bulletin, can you provide it to us so that we can have it? There's nothing confidential about it, certainly not. It's a document that is easily made public. Will you provide it to us?

Hon. Mr. Lane: — We will get it. We don't have it handy. Again, it's not the minister to the minister — nor I don't think the hon. member expected — it's the officials to officials, indicating it's not taxable.

Mr. Tchorzewski: — — Can your officials get it for me tomorrow?

Hon. Mr. Lane: — We'll supply it to you. We don't have it handy now. We'll get it over to you as soon as we can.

Clause 1 agreed to.

Clauses 2 to 8 inclusive agreed to.

Clause 9

Hon. Mr. Blakeney: — Mr. Chairman, with respect to clause 9, what is the effect of the provision which itemizes The Livestock Facilities Tax Credit and The Stock Savings Tax Credit Act; what is the effect of that provision which mentions those two Acts?

Hon. Mr. Lane: — It simply makes provision that the credit earned is applicable as a deduction.

Hon. Mr. Blakeney: — Mr. Chairman, and Mr. Minister, in the original section is there a reference to the venture tax credit Act? Does the livestock facilities tax credit and the stock savings tax credit operate the same way as the venture tax credit?

Hon. Mr. Lane: — Yes, it's identical.

Hon. Mr. Blakeney: — Mr. Chairman, and Mr. Minister, there is a reference to already, as I understand it, to the venture tax credit and the livestock investment tax credit, and you're adding the livestock facilities tax credit and the stock savings tax credit. Why are you not adding the labour-sponsored venture capital tax credit?

Hon. Mr. Lane: — It will come in the legislation establishing the labour-sponsored tax credit . . . labour venture capital tax credit. That particular legislation will make reference to The Income Tax Act.

Hon. Mr. Blakeney: — Mr. Chairman, why would you put income tax legislation in a particular Act like the labour-sponsored venture capital tax credit and not put it in the stock savings tax credit? They're the same sort of provisions, and I think you'll acknowledge that the right place for them is in The Income Tax Act. Is not the more likely explanation that you intend to introduce and have passed the stock savings tax credit and you have no intention of introducing and getting passed the labour-sponsored venture capital tax credit?

Hon. Mr. Lane: — That's totally incorrect. We've had some extensive discussions with officials and those who've implemented legislation — Quebec — and we've also had discussions with representatives of the trade union movement, and we've proceeded cautiously to keep them informed as much as possible, and we have full intention of introducing it and passing it this session.

Hon. Mr. Blakeney: — Well, Mr. Minister, can you offer any explanation as to why The Income Tax Act will include references to The Venture Capital Tax Credit Act and The Livestock Investment Tax Credit Act and now The Livestock Facilities Tax Credit Act and The Stock Savings Tax Credit Act but no reference to the labour-sponsored Venture Capital Tax Credit Act?

Hon. Mr. Lane: — We will be bringing forward the amendment to deal with the labour-sponsored venture capital tax credit — an amendment to The Income Tax Act when that Bill comes forward.

Hon. Mr. Blakeney: — So what you're telling me, Mr. Minister, is that this Act, an Act to amend The Income Tax Act (No. 2), is going to be followed by an Act to amend The Income Tax Act (No. 3) before this session is out; and that for some strange reason you don't want to put it in now, even though you assure us it's going to be introduced when the — and there's no point in saying, that the other Acts are passed, because The Stock Savings Tax Credit Act is still going through the mill. For some strange reason you are going to make reference to four Acts and not the fifth.

Hon. Mr. Lane: — I mean, if you want to proceed to the other ones, we'll draft up a House amendment now and solve the issue and bring it in now if that's your wish.

Hon. Mr. Blakeney: — Mr. Chairman, and Mr. Minister, that would certainly be my preference.

Hon. Mr. Lane: — I wonder if we can just proceed to the other sections, and we will have a motion if we can get the paper sent over. If I may, Mr. Chairman, it will simply amend clause 8.3(1)(c) by striking out "and" after subclause (iii), and by adding the following subclause after subclause (iv): "subclause (v) section 12 of the labour-sponsored venture capital corporation Act."

Mr. Chairman: — Will we do the amendment first?

An Hon. Member: — You can stand it. Stand 9, and go on. They'll write it out while we're talking.

Mr. Chairman: — All right, it's agreed then. We'll stand 9 and carry on.

Clauses 10 to 20 inclusive agreed to.

Clause 9

Hon. Mr. Lane: — I don't have a copy for the hon. member. I can read it into the record:

That section 8.3 is amended. Clause 8.3(1)(c) is amended by striking out "and" after subclause (iii); and (b) by adding the following subclause after subclause (iv): "subclause (v) section 12 of the labour-sponsored venture capital corporation Act" and

I have seconded by the member from Meadow Lake.

Mr. Chairman: — We have an amendment before the House, moved by the member for Qu'Appelle-Lumsden.

Clause 9 of the printed Bill, section 8.3 amended:

Clause 8.3(1)(c) is amended (a) by striking out "and" after subclause (iii); and (b) by adding the following subclause after subclause (iv): "(v) section 12 of the labour-sponsored venture capital corporation Act" and

Clause 9 as amended agreed to.

The committee agreed to report the Bill as amended.

Hon. Mr. Lane: — If I may, Mr. Chairman, I'd like to thank my officials, Mr. Vicq and Mr. McGregor, as well as many others. They've done a great deal of work over the last few months, both getting the legislation, but also bringing several new concepts into play, and I thank them for their efforts.

If I may once more, with leave, send a copy to the hon. member. It's a copy of a letter we have received from the director of provincial and international relations division. I will explain it because there is a follow-up one which we will be forwarding.

(1630)

This will confirm our telephone conversation wherein I indicated we did not regard the payments made under this program (this is senior citizens' heritage program) to be taxable. This is based on the information which we have.

Does not include the legislation. Subsequent to that, they've got the legislation. We've been advised that it is not taxable.

There's a further aspect as well, for clarification. Whether it might be an item that would fall within the meaning of social assistance in the Act, it is the department's view that this is not the case, which further lessens the problems which recipients might have. It should not have any impact on the incomes of senior citizens.

Mr. Tchorzewski: — — Thank you for that, Mr. Minister. I appreciate it. As the property improvement grant was not taxable, I have always been of the opinion that neither should this be taxable. And I will be able to, and so will other members, after we take a look at this, assure people when they contact us so that there is no confusion.

Quite frankly, my biggest concern has been that people would get caught in the confusion and not put money aside to pay the tax, and then when they fill out their income tax forms in 1987 for 1986, lo and behold they have to find the money to pay it. And I really think that we have to guard against that.

THIRD READINGS

Bill No. 41 — An Act respecting Stock Savings Plan Tax Credits

Hon. Mr. McLeod: Mr. Speaker, I move that the amendment be now read a first and second time.

Motion agreed to.

Hon. Mr. McLeod: — Mr. Speaker, with leave, I move the Bill be now read a third time and passed under its title.

Motion agreed to, Bill read a third time and passed under its title.

Bill No. 42 — An Act to amend The Income Tax Act (No. 2)

Hon. Mr. McLeod: — Mr. Speaker, I move that the amendments be now read a first and second time.

Motion agreed to.

Hon. Mr. McLeod: — Mr. Speaker, with leave, I move that the Bill be now read a third time and passed under its title.

Motion agreed to, Bill read a third time and passed under its title.

COMMITTEE OF FINANCE

Consolidated Fund Budgetary Expenditure Saskatchewan Library Ordinary Expenditure - Vote 29

Mr. Chairman: — The item of business before the House this afternoon is estimates for the Saskatchewan Library. Before we do that, I would request that the minister please introduce her officials.

Hon. Mrs. Smith: — — Thank you, Mr. Chairman. I would like to introduce to you today, as we go into estimates for the provincial library, to my immediate right, Ms. Karen Adams, the provincial librarian. On her right is Marcel de Laforest, director of administration. And immediately behind her is Mr. Ron McMahon, the director of the bureau of statistics.

Clause 1

Mr. Tchorzewski: — — Soon, but not quite this soon. Mr. Chairman, Madam Minister, I think we can start by my making a comment which I think we'll both agree to, and that is that the provincial library system that has developed in this province since its inception has been nothing short of outstanding. I think that probably not many would argue that it's one of the best, if not the best, library systems in Canada from the point of view of how its network of services serves most people in Saskatchewan. Not a simply feat when one recognizes that our population is dispersed as it is.

I hope that we can continue to maintain that level of services in this province through our provincial library and our regional library system, and some of my questions which I have to ask of you today are geared to gain some assurance that in fact that will be happening.

Madam Minister, you know, and I think it is well-known, and I know it was raised last year, that one of the ongoing difficulties that faces the regional libraries are that of municipalities deciding that they want to opt out or don't

want to participate in the funding arrangements. And therefore it creates not only a problem for the regional library itself but also creates, in some cases, a problem for people who live in those municipalities and would like to have the services of the library itself.

Can you tell me . . . I guess maybe I should say, can you give the committee a report on the status of this? Have you seen an improvement in that, or is the problem growing?

Hon. Mrs. Smith: — Mr. Chairman, I believe the issue of the rural municipalities submitting their withdrawal notices had held relatively stable over the last few years. If I got back to, for instance, 1981, there were 47 withdrawal notices placed at that time. Up until March 31st of this year we have 17 notices. I believe last year the regional libraries were dealing with approximately 14 notices. So I would think, you know, it's rather stable. Most of them seem to be able to work it out with good communication and exchange of information.

Mr. Tchorzewski: — I'm glad to hear that, Madam Minister. Can you tell me whether you have the information as to the numbers of municipalities who have just recently — let's say in 1985 and now in 1986 — opted to join the network and start making financial contributions. Has there been any additions to the system?

Hon. Mrs. Smith: — We have had three new additions: one in the Parkland region, one in the Lakeland, and the city of Lloydminster has elected to join us.

Mr. Tchorzewski: — Thank you, Madam Minister. In the event that an R.M. or a municipality chooses to serve notice that it will no longer be making a financial contribution and therefore will opt out of the regional library system, is there a policy that provides some ruling as to what is the status of individuals who are living in that municipality when it comes to having the library service? Do they automatically lose that service, or is there a user fee? Is there a standard user fee, if there is one, or is it something that is established by the regional library? How does this work?

Hon. Mrs. Smith: — As the member may well know, Mr. Chairman, if an R.M. is contemplating withdrawal from the system, there is a requirement of two years notice. When an R.M. would withdraw, then they would have to pay a non-resident fee as established by the board, that you might be going in to use if your area has opted out of the system.

Mr. Tchorzewski: — So the board in each region establishes that fee then? I think that's what I heard you say.

Hon. Mrs. Smith: — Yes, that's correct.

Mr. Tchorzewski: — The increase in the funding this year, as I calculate it, is about 3.7 per cent — not a great increase; that's lower than the increase in the rate of inflation. Last year, if I understand, there was no increase. Am I correct in that?

Hon. Mrs. Smith: — That's right, Mr. Chairman. Last year

we were at zero.

Mr. Tchorzewski: — You indicated in the committee last year, Madam Minister, that the reason you could get away without providing an increase last year was because regional libraries had reserves in which they could dip into and therefore make up the difference. Can you tell me whether that in fact happened and whether all of those reserves are now used up?

Hon. Mrs. Smith: — Well I believe also there were other indications that went with the rationale of the zero per cent increase on library grants last year. Reserves certainly was a consideration when we took a look at where the library system was sitting. And I'm pleased to say, Mr. Chairman, that after one year and into 1986, they have not been particularly affected, the surpluses, from the zero base last year.

Mr. Tchorzewski: — What's the accumulated surplus that now exists? I'm not asking for each regional library, but you will have the numbers for the system I'm sure, in order to be able to support your argument that there are reserves for them to be able to dip into. You must have known how much it was. What are the accumulated reserves that are in existence now in the provincial library system, and the regional library system?

(1645)

Hon. Mrs. Smith: — I do not have a list of those with me. We based that statement on the 1985 audits, but I could certainly endeavour to compile the total for the accumulated surplus if you so wish.

Mr. Tchorzewski: — Up to which period of time? Can you give me that figure for 1985? Okay, thank you very much.

One of the ways in which the library system is able to maintain itself financially is provincial grants, and then the levies that are made locally. Can you tell me in 1985, what the increase in those levies were? I'm not sure that it's referred to specifically as the mill rate, but how much was the increase in those levies in 1985, and what are the indications for the increase in those levies for 1986?

Hon. Mrs. Smith: — Mr. Chairman, the levies as it is by region, if I can so go through the list, would be — for the Chinook region, approximately 2 per cent.

Mr. Tchorzewski: — Which year?

Hon. Mrs. Smith: — 1986 proposed. Lakeland, 3 per cent; the Palliser, I believe, is around 4 per cent; the Parkland area, we estimate is going to range from 4.8 to 9.2, and of course that's dependent on rural municipalities, the towns and villages, and villages under 800.

The south-east also has a wide variance in there, and they are looking at 9 per cent up to 30 per cent on the cities. Wapiti is looking from about 7.6 to 9.5; and Wheatland is looking at 3.6 per cent.

Mr. Tchorzewski: — Those are some rather dramatic

increases that are happening in some of the municipalities. I understand how the system works, why at some places there would be 4.8, another at 9.2 in one particular region. But a 9 per cent increase in today's terms when you're having a grant increase of 3.7 per cent is really a very dramatic increase. Thirty per cent in the cities in the south-east is also even a more dramatic increase. And when you consider all of this in total, Madam Minister, I think probably it indicates the error of your government's ways.

Last year no increase in grants to the regional library system. You froze it at zero. This year an increase of 3.7 per cent over two years. That's an average increase of 1.8 per cent. Inflation has been running around 5 per cent over that period of time. That's why those increases are as they are. And I said earlier I would be wanting to ask questions which would assure me that the regional and provincial library system would be able to function in the proud tradition that it has since its beginning.

I'm rather concerned when I see this information which you have given me that maybe there are going to be some stresses out there that should not be, because obviously the priority in the provincial library system has not been as high as it has been in some other sectors. And you can tie this right into education. We want our population and our students to read.

Some places in rural Saskatchewan where people live, there are not book stores where they can go and purchase a book. In fact in some cases some people cannot afford to purchase books on a regular basis. The library system provides that opportunity and the only opportunity to be able to read in an extensive way. So I would say that that needs a lot more priority than we're seeing you give it here.

Madam Minister, has there been a change, because there is a difference between the funding to regional library systems and then to Saskatoon and Regina. I think in Saskatoon and Regina the province provides only 7 per cent of the money that's part of the budget of those two cities. Is it still at 7 per cent, or am I wrong in my percentage figure? Can you tell me what the percentage is?

Hon. Mrs. Smith: — No, Mr. Chairman, there has been no change. It is still at approximately 7 per cent. For the member's benefit, if he's wondering about the 30 per cent increase . . . and he's quite correct that that is a substantial increase in the south-east corner of the province. But you also have to go back and look at what the per capita levies were and compare those from region to region.

And for example, I would bring to his attention in the Lakeland region cities, 1984 and '85, were at \$7. In the Palliser region, the cities were in \$10. Parkland — Yorkton, for example, was at 6.72. And in the South-east, you were looking at \$5. If you want to go to the north-east corner of the province in, for example, the city of P.A., the charge was \$14. And the city of Melfort was \$7.80. So perhaps, you know, the argument could be made that they maybe had some catching up to do in terms of what other city residents around the province were looking at contributing to the library system.

Mr. Tchorzewski: — Minister, last year there was a discussion about Saskatoon and Regina and the role that they play in the provincial library system. It's getting more and more integrated; I appreciate that. And some of the services that are available in the cities are now shared with the provincial system. And you indicated that you had written to the library boards of Regina and Saskatoon to see if they would consider a provincially funded contract to assist with the costs of circulating films outside the cities and that Regina had resounded and it had indicated a willingness to have a look at that, which would alleviate some costs in the area of helping out other boards.

Has there been any further progress on this consultation that you have been undertaking and that you issued over a year ago?

Hon. Mrs. Smith: — Yes, Mr. Chairman. We have completed those discussions, and an agreement has been signed with the boards, and as of January 1, 1986, there is provisions for free films.

Mr. Tchorzewski: — Indeed, I'm glad that there has been some action taken because, in my view, I think there has been some need to rectify the unfairness of burden-bearing, if I may call it that. And any step that leads to that, I think, is a step that one would say is a positive step, and I hope that you will continue in that process because I suggest that probably more can be done.

If you will just bear with me for a minute.

One of the things that I have noted is that some regional libraries get up to 70 per cent of their budget covered by the province, and some get as little as 48 per cent and I think Wapiti probably is the example. Can you tell me the reason for that great variation?

Hon. Mrs. Smith: — Mr. Chairman, I hesitate to get into talking about formulas when the member from Quill Lake isn't here, but I will do it for the benefit of the member from Regina North East. The amount of money . . . (inaudible interjection) . . . Right. The amount of money determined is based on, first of all, population per square mile, the moneys that are being contributed at the local level, and the number of branches and bookmobiles, more commonly within the library system referred to as service points, that a region may be into.

Mr. Tchorzewski: — Those are the reasons for the differences in the amount of grant? There are no other reasons?

Hon. Mrs. Smith: — That's correct.

Mr. Tchorzewski: — Madam Minister, can you tell me — and if you don't have it, just have your people send it over to me — but I'd like to know whether there is an increase in the usage of the library system. I think those statistics may be available, and I don't need to have them now, but if you will give me the undertaking and have your staff send me a little envelope at some time with the information in it, that would be quite sufficient. Can you

do that for me?

Hon. Mrs. Smith: — Yes, I can do that.

Mr. Tchorzewski: — Thank you. I have one other question. One of the areas of the province in which there has been a great shortcoming, I guess, when you talk about libraries, is in the North. Is there now established in the North a regional library system, or if not, are there plans in place to do that, Madam Minister?

Hon. Mrs. Smith: — Mr. Chairman, many discussions have taken place over the years as library services relate to the North. The discussions — I know at one point in time a request had been put in for a northern regional library and was turned down. I believe that was about 1980 or 1981 when that happened.

We have had several discussions over the last few years, and there's no doubt of the need for it in the North. And we have a review that is in the preliminary stage on library services to the North. We have some people that have been in discussion. We've been trying to co-ordinate the various services that are up north. But I guess to make the answer short, no, there is not a specific north regional library.

Mr. Tchorzewski: — Madam Minister, there was at one time through the provincial library a system called a "book box" system which sent books to remote communities. Is that still in place, or can you tell me if that's still operational?

(1700)

Hon. Mrs. Smith: — Yes, that's still in place.

Item 1 agreed to.

Item 2

Mr. Tchorzewski: — Just one question. There's a reduction of two staff here. Can you tell me what that reduction is?

Hon. Mrs. Smith: — Mr. Chairman, two of the positions that the member is referring to are clerical, and because of the capabilities through word processing we felt we could do with two less. And we also feel over the next year that we perhaps will be able to identify one position to be removed.

Mr. Tchorzewski: — I assume that no one will be out of a job because of this. Can you assure the committee that it will be done because of people retiring or transferred to somewhere else? There will be actually nobody who will be given the pink slip.

Hon. Mrs. Smith: — Yes, Mr. Chairman, we have a couple of vacant positions, and of course we will always look at natural attrition as opposed to the other.

Item 2 agreed to.

Item 3 agreed to.

Item 4

Mr. Tchorzewski: — Can I just ask: why is it thought that the Bureau of Statistics should be placed in the provincial library?

Hon. Mrs. Smith: — Well, Mr. Chairman, I think it's fairly easy to understand if you consider that both bodies are the collection and giving out of information, and we felt that it fitted very nicely together.

Item 4 agreed to.

Item 5 agreed to.

Vote 29 agreed to.

Supplementary Estimates 1986 Consolidated Fund Budgetary Expenditure Saskatchewan Library Ordinary Expenditure - Vote 29

Items 1 and 2 agreed to.

Vote 29 agreed to.

Mr. Chairman: This concludes the estimates for Saskatchewan Library. Does the minister have any concluding remarks?

Hon. Mrs. Smith: — Yes, Mr. Chairman. I would like to . . . First of all let me thank the opposition for being so speedy on these estimates today, and I particularly want to thank the officials who have had a great deal of patience in waiting to get in here today. Thank you.

Mr. Tchorzewski: — Let me join with the minister in thanking the officials as well. They were quick with the answers, and therefore it expedited the proceedings.

The Assembly recessed until 7 p.m.