

EVENING SITTING

COMMITTEE OF FINANCE

Consolidated Fund Budgetary Expenditure  
Advanced Education and Manpower  
Ordinary Expenditure — Vote 5

Item 1 (continued)

**Mr. Koskie:** — Mr. Minister, I had raised with you a problem that was down in Coteau Range Community College in respect to the course being put forward by Kelsey Institute, an extension course, and I indicated to you there were some 10 students taking the first-year portion of the course; and in fact they were told that there would be a two-year program in Moose Jaw through the extension course by the Kelsey Institute.

I want to advise you that these students are unable to go to Saskatoon to complete their course and I'm also advised, as I indicated, there are only 20 spots in Saskatoon and there are 36 applications. And you briefly addressed this and said that you were doing some monitoring.

And I wonder whether or not you have taken the time to respond to the letter or copy of the letter that you received from these students, and whether you have advised the two members from Moose Jaw, who have not responded to the request of concern; whether they have been apprised of it and whether they have met with the people that are concerned. As I say, there are nine of the 10 people just can't go to Saskatoon. And they feel that they have been really cheated and betrayed because they were under the impression that the follow-up course, the second year course, would in fact be available to them — the supervisor's course.

So I'd like to, for the record, and in order that I might be able to advise them — since both you and the two members from Moose Jaw would not respond to them — I'd like to get it on the record then as to what steps you're prepared to take to address their concerns, and I think legitimate concerns, of nine of the 10 students down in Moose Jaw.

**Hon. Mr. McLeod:** — I believe I did respond to the letter that the member mentions. But I just would say to him, as I did before supper, the matter has been raised with me by several other members of the legislature — the member from Thunder Creek, two members from Moose Jaw. The member from Quill Lakes is right in saying that there is a level of consternation there, to say the least, and there is, and I know that. And I know that at the present time Kelsey Institute, where the course originates, is trying to re-direct some funding and so on, to see if there can't be something done for the two years.

We have not been able to find out how it became the understanding there, if in fact that was the case. And every indication is that there is that understanding there, that there was to be two years in Coteau Range.

We haven't been able to find out how that came about or how that understanding came about there, because as I

said before supper, there are a number of courses that are in a similar circumstance, where one year of the course is offered off campus so to speak, away from the institute — that's the originating institute. And then a certificate is given, sort of a preliminary certificate after one year, with which the student is able to go to work in their chosen field. And for further study normally they would go to the campus.

Now I indicated that before, but having said all of that I will say to you that I know that at the present time Kelsey is searching out ways in which that might be changed. Because, I believe, as you do, that there is some level of misunderstanding as it relates to those students at Coteau Range.

**Mr. Koskie:** — Well, I would ask the minister to make an effort to see that it can be resolved.

I turn to another concern, and that's the Cosmetologists Association of Saskatchewan. And this matter . . . I'm not sure whether it has been rectified or not, but there was a concern with the cosmetologists. They had written to the Premier, and they were concerned. They say that, "We have been given to understand that the apprenticeship and the trade certification branch has been moved from Advanced Education and Manpower to the Employment Development Agency." And they say that this creates two umbrella situations in education and certification for the trades in the province.

If I might just read the next paragraph:

The Cosmetologists Association of Saskatchewan board of directors are sincerely concerned regarding pending legislation, change in the general trade regulation — some 33 drafts have gone before the government — and 15 recommendations which were approved by the then minister, Mr. Gordon Currie.

So they are basically concerned, as I understand it. They indicate that, "We strongly urge that you reinstate the apprenticeship and trade certification under the Department of Advanced Education and Manpower and not into the other department." I was wondering whether you have had a chance to take a look at the concerns of the Cosmetologists Association of Saskatchewan and whether you can reply.

**Hon. Mr. McLeod:** — I think the information that you have goes back some time to when the Employment Development Agency was being set up, and so on. But the issue that was raised by that association was that there was a concern about the apprenticeship branch and so on going away from the manpower division of our department. That was not accepted by the cabinet, so it is not the case; and in fact their concerns were unfounded because as it turned out, they were not moved.

**Mr. Koskie:** — In respect to the new agricultural building at the campus in Saskatoon, in respect to the funding, I want to ask you there: what does the government expect the university to raise towards the funding? Is there any formal agreement set forward as to the exact amount? I

know you have talked about getting some from the private source, and the university in fact raising some. The press release says, we will want the university to attempt . . . But there is no firm commitment that the university has to come up with any money. Two concerns that I have: one is basically, are you putting any pressure on the university to dispose of any assets in order to raise a portion of the cost of the agriculture building? Secondly, is there any actual amount that has to be raised from the private sector? I've read from 12 to 14 million, I believe. So I ask you: what basic commitment must the University of Saskatchewan meet in the funding?

**Hon. Mr. McLeod:** — The number that's been mutually found acceptable between the two parties, between the government and the University of Saskatchewan, is \$12 million. And that number, as far as I am given to understand, is quite acceptable to the administration at the university, and they feel that it's quite attainable.

**Mr. Koskie:** — And when does the university have to come forward with this here \$12 million? What period of time do they have in order to raise the \$12 million out of the \$78 million, that you indicated as the cost of the agriculture building? What is the time frame?

**Hon. Mr. McLeod:** — They've indicated that a three-year period of time would be reasonable, and we've agreed to that. And so that's the goal — \$12 million over a three-year period.

**Mr. Koskie:** — And if they're unsuccessful in obtaining that goal, what is the commitment of the provincial government? Will they in fact proceed with it or is an absolute must? Or what happens . . . Do you give them a three-year period? Obviously it could be \$4 million a year that they . . . What schedule of raising this money do they have to have in place?

**Hon. Mr. McLeod:** — Well like I say, it's by a mutually agreed upon term, the three years that they're doing this. And as far as your question goes: will the project proceed? Yes the project will proceed. We're very confident, as is the university and the administration at the university, that this \$12 million will be raised. They are some way along on that now; I don't know the numbers of that. And I haven't been talking to them about it, because it's fairly recent. But we're confident that they will raise it and certainly the project as announced will go ahead.

**Mr. Koskie:** — Well, I mean, being confident and raising it . . . I'm not sure that there's many precedents that we have in respect that the university being required to go onto a fund raising blitz in respect to the construction of capital projects on the campus.

I don't know what gives you such assurances. But I find it strange to say that regardless it will proceed. Are you saying that if in fact it cannot be raised that the government then will in fact pick it up and extend the period of time to the university? What is the basic arrangement? Is there any demand on them to have certain amounts of their funds in each year? In other words, I want to know the logistics of them having to raise the \$12 million. You say it's over three years. But is there a

requirement of so much the first and so much the second up to \$12 million? It seems like an awfully loose arrangement, as far as I can see, and I'd like to know the details.

**Hon. Mr. McLeod:** — This is not something that was pulled out of anyone's hat anywhere, for the member's information, Mr. Chairman.

The number, 12 million, is roughly equivalent to the equipment costs for the new building. And the precedents . . . You say there are no precedents, and I'd say, I'll tell you that the geological sciences building, which is under construction now, and almost complete, and the Engineering Building, which was built a number of years ago, both of those had fund raising by the university for roughly equivalent to the equipment costs. And this is following that precedent so it's not something that isn't . . .

But I do grant you, it's a much bigger project and it's . . . You know, it's more money. But the university themselves have suggested that this is a reasonable amount that they believe are very confident they can raise, and I think they're some way along in that. And we have no reason to believe, nor has the University of Saskatchewan given us any reason to believe, that they would not be able to meet this over a three-year period.

**Mr. Koskie:** — We hope that they are successful, but we also have heard that some pressure was at least being put forward to the extent of having to dispose of some assets, and the suggestion that was put forward to the university was the sale of some of the land that they had.

And I hope that the minister or the government is not putting any pressure on the university to dispose of some of those assets. It is my understanding that the government in Alberta did the same in respect to the university of Edmonton, and certainly regret having done that because they have disposed of assets that they could well have used.

I want to briefly turn to the issue of foreign students, and it's an issue because of the differential fees imposed by the University of Regina. And I can only say to you . . . I'd like to ask the minister if he's aware of how many foreign students, or visa students, there were on the campus in the University of Regina during the past year.

**Hon. Mr. McLeod:** — I believe that number is approximately 400, of whom about 80 per cent are from Hong Kong.

**Mr. Koskie:** — Well, that's what I want, is a breakdown of the students that were attending, the visa students — the number from the United States; the number that are from third-world countries; the number that are from other jurisdictions, like you indicate, Hong Kong. Can you give us a breakdown?

**Hon. Mr. McLeod:** — I'm not sure of the . . . I'll attempt to do that but I just want to point out to you that the board of governors, in making their decision to ask for higher tuition fees for visa students, has also in conjunction with that — because as you will point out and I think others, rightly so, who are familiar with the university

community will know there are some from some third-world countries who are here and who are needy cases — the board of governors has set up a bursary system for that purpose. But many of the Hong Kong students, and I think you will know, are rather wealthy. I don't say all of them are, but my information is that a number of them are and that they didn't react in any negative way at all to the change in policy of the board of governors.

But that's the information I have now and if there's any further breakdown that you need, I can attempt to get it for you.

(1915)

**Mr. Koskie:** — Yes, I'd like the breakdown a little further than that. I'd like to know how many from the United States and the third-world countries.

I'm rather surprised by the attitude of the minister. It seems to me that it would be . . . There are certainly some advantages of having students from foreign countries come to our campuses. Certainly it brings another dimension to the education process, and certainly it also allows our country and our province to be familiarized with other parts of the world.

I think it would be a disadvantage; it's a disadvantage to cut back so drastically as what one has done here. I refer to what is reported in respect to the British government under Margaret Thatcher, wherein the British government in fact imposed restrictions on foreign students through a huge increase in the amount of tuition fees.

And it's reported that the British government has taken a look at it and re-evaluated it, and the British government then contributed an additional \$150 million in scholarships for foreign students. First of all, they essentially closed off the admission of foreign students, and since then they have re-examined the situation and have allowed them to come in.

There's one other thing that is pointed out to me: that if you restrict foreign students from our campuses there is the counterpart that . . . And I've had the opportunity to meet with representatives of the university who are concerned over the decision of the board of governors on this matter.

The problem that they put forward here in respect to it is that many of the communist countries are, in fact, offering scholarships, traffic, tuition-free admission to universities in many of the communist countries. And what I'm saying to you is that I thought we were living in a rather open society and I thought that we were expanding our horizons in respect to trade. I thought Canada and particularly Saskatchewan would want to make some contribution to the third-world countries, and because of the inadequacy of your funding what you have done is to force the board of governors into the restriction of foreign students. And it's done under the guise that there is a deficit and that they have to raise some money, and the evidence is that what you do is simply to drive the students from the campus on to another campus where

it's more favourable.

So there are certain disadvantages, Mr. Minister, in respect to it. I think you will acknowledge that. I notice that the senate of the University of Regina is in fact asking the board of governors to re-examine their decision to double the fees to foreign students this year and to double them again the following year. So I wonder if the minister can advise whether there has been any further update in the decision of the board. I read where the senate is approaching the board of governors asking them to reconsider. I wonder if the minister is in agreement. I wonder if the minister can, on behalf of his government, indicate whether he's in agreement with the curtailment of foreign students from the campus by making it prohibitive from the standpoint of increasing the tuition fees.

**Hon. Mr. McLeod:** — Well first of all, when the member talks about curtailing the numbers of students, there's no evidence that the increase in tuition fees for visa students will curtail the enrolment of visa students. What I have said to the member before is this: that the board of governors made the decision that they base it on. Another thing that they point out, and I think rightly so, is that even with a doubling as they've suggested for visa students, doubling of tuition fees, it takes those tuition fees to 30 per cent of the cost of the education, so that 70 per cent is still coming from the taxpayer of Saskatchewan, the public purse. And that, I don't think, is an unreasonable ratio — 70 per cent to 30 per cent.

As we pointed out, the tuition fees at large at the university are about 15 to 16 per cent. This is the University of Regina I'm talking about now — 15 to 16 per cent of the cost is in tuition fees, which I don't think is an unreasonable amount either. But, Mr. Chairman, there is no evidence, and there's no evidence, I believe that the member can point to, to say that there is a curtailing of the number of people from other lands who will come to our universities as a result of this action by the board of governors.

**Mr. Koskie:** — I don't know if you've done any studying or not, but here's report in respect to what has happened in some of the other jurisdictions. It indicates, however, previous experience in Britain, Ontario, and Quebec has shown that with differential fees, the enrolment of foreign students will decline. In Britain the number declined by 50 per cent; in Ontario and Quebec by 20 and 40 per cent, the highest decline being in graduate studies. So those are the particular studies that have been done and clearly indicated that what has happened is a decline in foreign students. But of course . . .

I leave that particular matter, Mr. Minister, but simply to raise our concern that we may be doing ourselves a short-term benefit by . . . Obviously the position is to get more money at the Regina campus, because if there's sufficient funding, then I'm not sure why they would be imposing increasing the fees.

And I just think that we sell ourselves short if we start to exclude foreign students from our campus because I think they bring a certain advantage by bringing to the campus a quality of education and an excellence. Many of these

students bring a very high degree of excellence. And I know there are a lot of Hong Kong students on the campus here, but I'll tell you they bring a tremendous amount in the computer science particularly, and in the major sciences.

This is a stimulus and it's also a part of getting Saskatchewan known. But, you know, I suppose this government on one hand can say that, oh, Saskatchewan is the best kept secret, and then because of their own financial underfunding of a university, what has happened is that foreign students are essentially driven off our campus into other campuses that don't charge the extra high fees. So I guess there's a contradiction, but we'll have to live with it.

It's difficult, of course, to change a policy, because he can stand up here and say, well we're going to drive these foreigners off this campus and we're going to allow more space for Saskatchewan people. It might be a vote-getting way. But it's pretty narrow-minded thinking, I would say. I would think that we should allow foreign students on our campus to bring the contrast of educational excellence.

I want to ask you, Mr. Minister, in respect to College Mathieu, I know that your predecessor has in fact been discussing a brief that they have submitted — the former minister — and I'm just wondering if you could tell us what your policies are in respect to the development of College Mathieu. And I guess first of all I ask you this question: what is your policy re the right of the French people of Saskatchewan to complete an independent education system — the Fransaskois, as they're called. I wonder what your position is to their right to a complete and independent education system. I know they have had discussions with your government and I was wondering if you would be in a position to respond to that.

**Hon. Mr. McLeod:** — Mr. Chairman, I've never been approached since I've been the minister in this department by anyone from College Mathieu, you know, regarding any of the points that you raise. So I'm not just sure what you're getting at there. I'm not sure exactly sure what you're getting at, and my officials around me here aren't aware of anything to it. Although you did mention in your earlier remarks, and maybe I need a point of clarification here, you said that they raised something with the former minister who is now a Legislative Secretary in this department.

**Mr. Koskie:** — Well I don't know what his position is now, but the Minister of Advanced Education and Manpower, the board representatives of the College Mathieu have met with them. I know that some progress was made because I have a letter here from the Hon. Gordon Currie where he in fact indicates some commitment of a couple staff. And the whole discussion was in respect to the right of the French to complete an independent education system.

And I guess what I'm asking you is: have you and your government a position? Do they in fact, as you view it, a right to complete an independent education system? So you can have a chance to talk with your former minister, and I'd like a reply because they requested that I contact

you on it.

**Hon. Mr. McLeod:** — What the officials here are aware of is that the College Mathieu was given, I believe, two people to \$75,000 from the office of minority languages, federal government organization in Ottawa which was administered here in Saskatchewan through the Department of Education. So that's why I may not have been in these discussions. My colleague, the Minister of Education, may know more about this than I do. I'm sure she does. And I know those estimates were up and I'm sure you would have asked those questions of her at that time.

**Mr. Koskie:** — I know you are rather embarrassed to have these questions placed at you and you don't want to answer them. But I'll tell you, the Minister of Advanced Education was doing the dealing. So don't start shoving it over to the Minister of Education. And I can read you the letter from the Minister of Advanced Education and Manpower.

And there are certain other questions I want to know. Do you maintain as a position, as a minister, as a government, whether or not they have a particular right — that is the French community, the Fransaskois — to a complete and independent education system? What is your view on that?

I don't know how you can duck that question just by saying, I just got into the department, when we have had a brief submitted to the former minister and the former minister putting down a position. And what you're trying to do is to duck; that's what you're trying to do. I ask you again: what is your position in respect to their right to have a complete and independent education system?

(1930)

**Hon. Mr. McLeod:** — I believe what the request was at the time of . . . My colleague, the member from Wascana who was the minister at the time, informs me that they had come — just going by memory now on his part — that they had come and asked for a separate status community college as it relates to the Fransaskois of Saskatchewan. The response to that was that we would deal through the office of minority languages in the federal government. The federal government responded with the 75,000 and the two people that I referred to, and that administration here in Saskatchewan is done through the Minister of Education.

So I haven't misled you in any way. I've just told you — and what they had asked for is a separate status community college, and we rejected that as not being a feasible thing.

**Mr. Koskie:** — Well they also asked for, in respect to adult education services, they asked for a French community college, that's right. They asked for a resource centre. They asked for a bilingual secretarial program. They asked for a university program, B.A., B.Ed.

So I want to ask you, what is your position? You've had an opportunity to review it, and I know the Minister was reviewing it. First of all, in respect to . . . you say the

community college, you have rejected it. What about the resource centre that they were asking for, and the secretarial program, bilingual secretarial program, and the university program — a B.A., B.Ed?

**Hon. Mr. McLeod:** — Well I'm informed that the two people that I mentioned in the 75,000 — the two people have been hired in February. They are working within the community college system now. They have a liaison person. One of those people goes to the other colleges and deals with the programs, with the French programs which they would like to see involved in the various community colleges around the province. And as you well know, the community colleges cover all the regions of the province and the French speaking communities, or the pockets of French-speaking people are in the various regions of the province as well.

And one of the people besides this liaison person is one who's working in program development to develop programs in the French language, which can be then put to use in whichever communities the population would warrant that type of program.

**Mr. Koskie:** — They're asking particularly for an expansion of their facilities at College Mathieu and they're wanting to, as I said, set up the bilingual secretarial program. Are you in agreement with them being able to establish that program?

**Hon. Mr. McLeod:** — The request that you have that you're reading from, I believe is the one we referred to, where they had all of this . . . they had out there resource centres. And I forget what else you read out there now — the secretarial program and all the rest of it. But what I'm telling the member is that . . . Whether he wants to listen to the answer or not, Mr. chairman, I'm not sure. He asks the question and then he doesn't appear to want to listen.

But what I'm saying to him is that the normal process and grants that go to College Mathieu go to them for that. They have the people now through the office of minority languages. That one person is for program development. If they say that their program is . . . the most important one is a bilingual secretarial, well then I'm sure that person will be developing that program now for delivery at whatever college the French community or the French population will warrant — whatever community college in Saskatchewan region they might live in.

**Mr. Koskie:** — Well, I hope they are watching. Because I believe that you don't even know the slightest idea of what you're talking about. You haven't got the slightest idea; you haven't read their brief and you haven't met with them. So you don't know what you're talking about; that's the problem. And we might as well leave it, because you absolutely don't know what you're talking about, and it's quite evident you don't know what you're talking about.

We'll leave this then and we'll transfer those remarks, those brilliant remarks that you'd made in respect to it, out to them and see what they have to say.

I want to turn to the annual report, 1984-85. But I'm not sure that this is still with your department. It was at one

time — 1984. It may have been shifted out into another portfolio.

But the Saskatchewan skills development program, is that still under your jurisdiction, or has it gone to Social Services or is it with the employment development agency?

**Hon. Mr. McLeod:** — Yes, it's under this jurisdiction. As I outlined just to your colleague, the member from Regina Centre, some information and statistics about it just prior to 5 o'clock, Mr. Chairman.

**Mr. Koskie:** — I'm talking about the Saskatchewan skills development program, the 1984, the two-year program. There's two different programs that you may or may not be aware of. There's the Saskatchewan skills extension program — that's the one that I asked you about and you gave me some information on it.

The other program is the Saskatchewan skills development program — SSDP program. And this is the one that has a two-year academic and skill training opportunity for social assistance recipients. And I'm wondering whether that program is still under your jurisdiction.

**Hon. Mr. McLeod:** — Yes it is, and it's an ongoing program, not limited to two years, Mr. Chairman. It may well have been begun as a two-year program, but it was so successful that it is ongoing.

There's more money in the budget, I'm informed by my colleague, the Minister of Social Services, this year than there was last or the year before. And I would just say, and as I did to the member from Regina Centre earlier this afternoon, that it's a success story in terms of the disadvantaged people who are on welfare and who are looking to obtain skills so they can enter the work-force. And it is a success story and they have had some excellent . . . well they have some excellent programs and they have had some excellent success, as I've said.

**Mr. Koskie:** — Have you got the statistics in respect to the program for 1985-86? What I'm asking there is, does your '84-85 report indicate the number of students that were enrolled? The original estimates of '84-85 were for so many students. I want to know how many enrolled, the number that participated in the program.

**Hon. Mr. McLeod:** — The program is delivered through the various community colleges. Through that community college system, '85-86, students enrolled — 3,036 students; and the number of programs, '85-86 — 135 programs, benefiting 3,036 students.

**Mr. Koskie:** — And all of these courses I take it, then, are given under the community college. Is that correct?

**Hon. Mr. McLeod:** — There's the odd one that was under a private computer school or something like that — the odd one. But for the most part they are within the community college, in the community college system.

**Mr. Koskie:** — Well it's a good thing that you can brag of tremendous success, because certainly it's not

demonstrated in the statistics. When you look at the number of unemployed and the number of unemployed employables, you'll find that there's a tremendous increase in the number of unemployed employables during the time of your administration.

I want to ask you in respect to the community colleges, the institutes, and universities, can you indicate to me what the estimate is for enrolment? Take the institutes first of all. Do you expect that there will be a continuing high enrolment, or an increase in enrolment? Certainly if you look at the statistics over the past few years, there were an increase in the number.

What, if any, projection do you have for the current year? And I only have the statistics for the previous year, in respect to the community colleges. I wonder if you could — or the institutes rather — whether you could indicate whether there was an increase or decrease last year at the institutes and university, in enrolment.

**Hon. Mr. McLeod:** — As I indicated to your colleague from Regina Centre earlier, the expectation and the numbers which are provided by the universities indicate that there's expected to be a flattening out and moving toward a decline at the university. Although I want to put this caveat on that in that those numbers cannot always be adhered to, because I think in the mid-70s there was a suggestion that that might happen, and in fact it did not. A 50 per cent increase in institutes in the last four years. There's been a 50 per cent increase in enrolment at our institutes in the last four years, and with the coming on stream of the Northern Institute of Technology in Prince Albert this fall, we expect that to level out somewhat.

And there has, as well, been a major increase in community college enrolments, and some of that certainly has been as a result of the change in mandate of the community colleges where they're more directed towards skill development and away from some of the hobbies and the crafts and some of the things which were the mandate of the community colleges for some years before.

So there's been a change in the mandate at the community colleges as well as some of the programs under our welfare reform program, the Saskatchewan skills development program being one of the, which takes people who are recipients under the welfare system and gives them the opportunity for some training and therefore move into the work-force.

I just might add, as I said as well earlier to the member from Regina Centre, there is about a 75 per cent success rate within one month of graduation or completing a course in the Saskatchewan skills development program for these people who are less privileged. And it's one of the things that points to the success of the program that within one month 75 per cent of them have employment.

**Mr. Koskie:** — Referring to the institutes, one needs only to look at the Estimates and find a very serious cut-back in the amount of funding. There is just absolutely no doubt that there is a large cut-back in the institutes across the province — the funding.

There's a cut in staff, a very major cut in the staff of the institutes. I can't understand the reasoning behind you, because if we take a look at a few of the statistics, Wascana Institute, they're losing — a cut-back in staff of 10.5. And if you look at the Kelsey Institute, there's 20 people cut back. If you look at the Saskatchewan Technical Institute, there's another 12.5 cut-back in staff.

If you look at the funding alone, you find that there's over 1.4 million cut back in the amount of funding for the technical institutes. Now that is a very major cut-back in both staff and in funding. And I'm certainly rather surprised that the minister seems shocked at not knowing that he had a major cut-back in respect to the technical institutes.

The total with the Wascana, the Kelsey and the Saskatchewan Technical Institute, I believe there's 43 staff cuts in those three institutions alone — 43. The total amount of funding in respect to those three institutes is almost \$1.5 million, and that's comparing what was estimated for '85-86 as compared to what is budgeted this year — so a very, very major cut-back of the amount of funding for the three major institutes.

(1945)

And if you look at the amount in the supplementary estimates under Advanced Education, and if you realize that in the Saskatchewan Technical Institute, Moose Jaw, 1.9 million was overextended last year, and Kelsey there was 105,000, so there's almost \$2 million overextended in the institutes last year, I can only say to you, Mr. Minister, that there is considerable concern in respect to the general funding of the institutes. The Kelsey Institute at Saskatoon, over 20 staff cut, and somewhere in the neighbourhood, over what was estimated last compared to this year, of \$673,000 — which is a major cut. And so if you have such a commitment to education, I was wondering why there is a very significant cut-back in the amount that is being budgeted for the three technical institutes as mentioned.

**Hon. Mr. McLeod:** — Well, Mr. Chairman, the circumstance is as follows: the member says there has been cuts. What I will say to the member is that there are now four institutes. This fall, when the Northern Institute of Technology opens in Prince Albert, we will have four institutes.

He says that there has been cut-backs. What I say to the member is that there has been a significant increase in staffing and in funding for institutes. And in funding, it's 9 per cent funding overall increase. There's no cut-back in staff resources. There's been a significant increase, as I have said. In 1985-86, 1,048 positions were allocated to the institutes. In 1986-87, the figure is 1,109 — an increase of 61 staff or a 6 per cent increase.

There has been a minor reallocation of resources to accommodate the entry of the new northern institute, as I've said. And some of the programs which up until now have been at Kelsey — the ones that come to mind are the forestry and resource management — some of those that up until now have been at Kelsey Institute will now be delivered from the Northern Institute of Technology,

where they should be delivered, which makes eminent sense given the region that it comes from. And I'm surprised at the member not wanting to talk about the . . . I shouldn't be surprised, I suppose, but I take note of the fact that the member from Quill Lakes does not want to talk about the Northern Institute of Technology, which is a very major installation in the city of Prince Albert and which will serve the whole northern portion of the province.

**Mr. Koskie:** — Well the Wascana Institute of Applied Arts — there's no doubt that there is 10.5 fewer people employed, on staff, and there's no doubt that there's \$309,000 cut in the funding. So I would ask you: what adjustments have you made in respect to the Wascana Institute that they can operate with 10.5 fewer staff and a cut of \$309,000 from what was estimated for last year? Would you outline how they are expected to operate, what portions have been removed from the Wascana, and what justification have you for the major cut-back in respect to the Wascana?

**Hon. Mr. McLeod:** — Well I made the point that the programs are across the four institutes. The four institutes will become a package in this province. You say that . . . (inaudible interjection). . . Well I know you don't. The member does not want to talk about the Northern Institute of Technology, but I'll tell the member that the Northern Institute of Technology is one of four very important institutes in the province. All of the institutes are serving the needs in the various regions of the province. That institute which was not in existence under your government, it will now be operational this fall under this government.

And I just say to the member, you can talk about cuts all you'd like to talk about cuts, but I'll say to you that the numbers show that there are 61 more people working in the four institutes in Saskatchewan than there were in the last year's budget, than there were provided for in the last budget when there were three institutes.

**Mr. Koskie:** — Well, I ask you: you're cutting the projected cuts in the staff at the Wascana by 10.5 and over \$300,000 cut in the amount of the budget. And I'd like to know the rationalization that you're making. Are there less programs being offered, or expected to be? What is the rationale for being able to cut 10.5 staff and \$300,000 from the budget of Wascana?

**Hon. Mr. McLeod:** — If the specific questions were about the Wascana Institute, there are two additional programs at Wascana that were not there last year. I'm not sure of the numbers and where those are allocated in terms of the numbers of instructors in the various programs, but much of that will depend upon the number of students that chose which programs. But there will be two programs there which were not provided before, one being photographic technician, the other being building system technician. There are no programs which are now at Wascana Institute which will be deleted, I'm told.

**Mr. Koskie:** — All right. At the Wascana Institute then, you have fewer staff, more programs, and more programs, fewer staff, and less money.

And okay, the Kelsey Institute — we've had correspondence in respect and great concern here because there is close to a million dollars being cut. And of course if you were to spend equivalent to what was spent last year, you'll find that there was an additional \$105,000 spent, and in Moose Jaw there was 1.9 million. But in any event, what was estimated last year, and what is estimated for 1986-87, there's over \$673,000 less budgeted for Kelsey Institute this year than what was estimated last year, and there are a total of 20 staff being deleted. I'd like to know the rationale for this because I can tell you there is a lot of concern in Saskatoon with the nature of the magnitude of the cuts at that institute.

**Hon. Mr. McLeod:** — Well at Kelsey Institute the majority of the changes that have taken place are related to the renewable resource technology program which has been transferred to Prince Albert, and I submit to you that it's in the proper location now, by being delivered from Prince Albert. So that program goes there and a good number or a major extent of the amount that you're been quoting from is because of that transfer. Because a good portion of the dollars that you refer to are staff dollars, and the staff from that program will be operating out of Prince Albert.

**Mr. Koskie:** — In respect to that change of course offering, what complement of staff have you deducted from the institute at Kelsey, and what amount of money as a result of the transfer or the coverage of it over in the Northern Institute?

**Hon. Mr. McLeod:** — I believe the blue book shows 20 people in terms of staffing deleted at Kelsey. What's happened at Kelsey is that the . . . And there are some programs that are still ongoing, that students probably will have decided that they're not the programs for on into the future — whatever — but there will be less of them.

I believe there are five teaching positions, plus some other positions — but five actual instructor positions which are going to Prince Albert from Kelsey which are directly related to the resource technology program. The majority of the dollars . . . And once again, are staff dollars rather than any other, but they become staff salary dollars, in other words.

**Mr. Koskie:** — And would you give the rationale for a major cut in the Saskatchewan Technical Institute in Moose Jaw? There's 12.5 people staff cut and \$425,000 — in excess of that. What's the rationale there?

**Hon. Mr. McLeod:** — There were two programs transferred from STI in Moose Jaw to the Northern Institute at Prince Albert: one being the penitentiary worker program which was delivered through STI before, which is now more legitimately delivered at Prince Albert in proximity to the penitentiaries that are in Prince Albert; and the truck driver and heavy equipment operator program, which has been up till now delivered at the STI in Moose Jaw, will be delivered through the new competency based learning modules at Prince Albert, at the Northern Institute of Technology.

**Mr. Koskie:** — In respect to the Northern Institute of Technology, can you indicate what was the total cost of construction there? Our understanding is that there was a

sizeable overrun on the constructions costs. It was initially to be somewhere in the neighbourhood of \$30 million, and certainly it came out to apparently more than that. I'd ask you: what was the original estimate and what was the final figure on the cost of the construction of the northern technical institute?

**Hon. Mr. McLeod:** — Mr. Chairman, final cost of the facility, furniture, and equipment will be \$35 million.

**Mr. Koskie:** — What was the original construction cost estimated at?

**Hon. Mr. McLeod:** — The original estimates was \$31 million, all things together, and there was an addition made to bring it up to the 35 million level as a result of some redesigned programs, one of them being the decision to move correctional officer training. A day-care facility was added to go in conjunction with an early childhood training program which would be done on the site at the institute.

Other program additions included roofer training, drug and alcohol counselling. And to accommodate the above program changes, the building underwent considerable redesign at a cost of about the \$4 million. I got this information that I received from the Department of Supply and Services.

(2000)

**Mr. Koskie:** — I suppose any time that you have a major overrun, the best way to in fact get up and justify it is to say that you had redesigning, and then justify it. Because obviously you have indicated that it was completed at 31, and what happened is that there was an overrun of 4 or \$5 million, and now you're justifying it by indicating that there was redesigned. But that's exactly what basically has happened here, is that there was a major overrun at the institute.

I want in conclusion to say, Mr. Minister, that the major technical institutes — the Wascana, the Kelsey, and the STI at Moose Jaw — there's a great deal of concern over the level of funding and the amount of cuts in staff. And I don't know whether you have heard directly from them or not or have had any discussions. I suspect you have had. But certainly there is a major concern in respect to the amount of cutting.

The other concern, as we proceed with this and wrap it up, is the lack of concern by your government, as we have indicated this afternoon, towards the federal government's massive cuts in their commitment to secondary education and to health.

And I draw only to your attention further concerns that we have because the federal government have put forth a study team report to a task force on program review. This is the famous Erik Nielsen task force. And in respect to funding they are looking at three basic options in respect to the EPF (established program of financing). One is to maintain the present EPF arrangement — and we know that they have changed that already.

Number two was to leave the health transfer as it is as

much as possible, through changing the fiscal arrangements Act's provisions for post-secondary education, or removing them from another Act and attaching the conditions to the transfer.

The third recommendation that this Nielsen task force put forward was to terminate the transfer for post-secondary education altogether.

So the direction and the recommendations, be it all that it is not in fact . . . This is the recommendations of the task force; it's not policy. But, in fact, these are the directions that the federal government will be looking at. And all I can say is that there is a major concern over this budget because of the massive cut-back to technical school funding. Because there has been a massive cut-back in funding in the three established institutes; no doubt about it. There's over 1.4 million cut-back in funding in the three established institutes; there have been over 43 staff cut-backs in the three major institutes. And you can say all you want about the transfer of some courses. It does not, in fact, account for the massiveness of the cut.

I can only say that the universities are concerned. They're concerned with a 3.2 per cent increase in operating grants. And there is no doubt about it that they are concerned, and they'll have massive problems attempting to live within that framework of operating grants. You know it and the universities know it. Because they cannot, in fact, operate within it because many of the expenditures that they have will be much higher than that.

And so I say to you, Mr. Minister, that your commitment here has not been as significant as the education community would have wanted nor, in fact, absolutely require. So I leave that statement. I could go into much more detail into the shortcomings of your budget but I think that those are the general areas.

We find a development fund, \$125 million, and the surprising thing that I think that we see is that major repairs to universities — at the University of Regina — have not even been effected and should have been, as has been requested by the students.

So I think with that, Mr. Minister, I can conclude by saying that we're a little disappointed in your performance — disappointed in that you will not, in fact, stand up to the federal government and you're allowing them to set the course. And in the end Saskatchewan education is going to suffer if the federal government in fact backs out. So I'd urge you to take the fight to the federal government and to see whether or not you cannot in fact get larger amount of funding on behalf of education. So we can proceed then.

Item 1 agreed to.

Items 2 and 3 agreed to.

#### Item 4

**Mr. Koskie:** — You have an increase from six to 17.5 in number 4, human resources. Why the increase in the number of persons from six to 17.5 and the sizeable increase in the budget? Has there been a transfer from



another department?

**Hon. Mr. McLeod:** — No. That's as a result of this being one of the departments in that centralization thing that was going on with the Public Service Commission. This was one of the departments which held the personnel shop. I believe as a result of the union or of the agreement that was done last year, that will be going back to public service. I'm not sure of the status of that, but that is the explanation for being in this department.

Item 4 agreed to.

Items 5 to 26 inclusive agreed to.

Vote 5 agreed to.

**Advanced Education and Manpower  
Consolidated Fund Budgetary Expenditure  
University Renewal and Development Fund — Nil Vote**

**Supplementary Estimates 1986  
Consolidated Fund Budgetary Expenditure  
Advanced Education and Manpower  
Ordinary Expenditure — Vote 5**

Items 1 to 4 inclusive agreed to.

**Item 5**

**Mr. Koskie:** — There's a payment there — extra amount spent was \$1.9 million at Saskatchewan Technical Institute in Moose Jaw. I was wondering why such a major overexpenditure as compared to what was budgeted?

**Hon. Mr. McLeod:** — The 1.3 million is a 65- and 76-week course purchased by the federal government, which is refundable money; 163,8000 is the training for industry program, and I think that's what you were asking about, but it's refundable.

Item 5 agreed to.

Items 6 to 8 inclusive agreed to.

Vote 5 agreed to.

**Saskatchewan Heritage Fund Budgetary Expenditure  
Advanced Education and Manpower  
Provincial Development Expenditure — Nil Vote**

**Mr. Chairman:** — That apparently then concludes the estimates for Advanced Education and Manpower. I will now ask the minister, if he so wishes, to make some concluding remarks.

**Hon. Mr. McLeod:** — Yes, very shortly, Mr. Speaker. I'd just like to say a word of thank you to the officials in the department, those who attended here with me this afternoon and tonight, as well as those in the department who worked throughout the year. And the department, as I say, it's a good-news department, doing some good things for the young people of Saskatchewan, and we'll continue to do that in the coming year.

**Mr. Koskie:** — I join with the minister to thank the

officials for providing the information. I don't share his optimism with the direction of the department and the direction of his government in meeting the demands of young people. I'm disappointed in the overall structure of the funding of the department, but I nevertheless thank the officials for providing the information.

(2015)

**Consolidated Fund Budgetary Expenditure  
Revenue and Financial Services  
Ordinary Expenditure — Vote 18**

**Item 1 (continued)**

**Hon. Mr. Blakeney:** — Mr. Chairman, and Mr. Minister, I want to ask you a few quick questions with respect to Revenue and Financial Services. Would you indicate why the staff for the comptrollers' office has been so substantially reduced?

**Hon. Mr. Morin:** — Thank you, Mr. Chairman. That's as the result of a new computer system that we've initiated in that department. As a result of the new system, we did not need as many staff people, and those people have been moved to other duties.

**Hon. Mr. Blakeney:** — Thank you, Mr. Minister. I note that with respect to Wascana Centre Authority, there has been no increase at all in the provision for grounds maintenance. Since costs will certainly increase, to what extent do you think the maintenance of these Legislative Building grounds and other government grounds within the Wascana Centre will deteriorate? Undoubtedly they will deteriorate, but how serious do you think this will be?

**Hon. Mr. Morin:** — Thank you, Mr. Chairman. That decision was taken in budget review, and since that time we have had representations to increase that budget, and it's under review I'd say.

**Hon. Mr. Blakeney:** — Thank you, Mr. Minister. I think that there is a lot of support for maintaining the Legislative Building grounds, I don't necessarily say in top shape, but in a thoroughly adequate shape since it is the park which is most visited by more people in Saskatchewan than any other park — regional, provincial, or national — and is therefore under very, very heavy pressure of very, very many visitors come here, and I'm glad that you are proposing to reconsider that point.

I ask you now with respect to the purchase of Sask Power savings bonds. You sent a letter to all full-time employees dated June 6th indicating that a loan could be arranged to purchase Sask Power savings bonds, and that the loan could be arranged through the Royal Bank. I take it from your letter that it could be arranged only through the Royal Bank. Do you have any arrangements whereby similar loans could be arranged through a credit union or any other chartered bank, and if not, why is the Royal Bank the only one with whom an employee can borrow if he wishes to purchase Saskatchewan Power savings bonds?

**Hon. Mr. Morin:** — We chose the Royal Bank ... to answer your questions in order, I believe. The Royal Bank

is the only bank that we're using. It was a matter of administrative convenience, really. The Royal Bank had done the Saskatchewan Oil and Gas issue, and they were sort of set up for it and could handle it, and that was the reason that we chose to go with them.

**Hon. Mr. Blakeney:** — Mr. Chairman, and Mr. Minister, did you make any approach to Credit Union Central or the credit union movement that would have permitted employees to borrow from the credit unions in order to purchase Sask Power savings bonds, or did you for reasons of convenience restrict yourself only to the Royal Bank?

**Hon. Mr. Morin:** — Well we did look at the others in the former Saskoil issue, and we found the Royal Bank to be the most competitive. For reasons of convenience, we went with the Royal Bank this time; however, we'd be willing to look at extending it across to anyone else on a similar arrangement.

**Hon. Mr. Blakeney:** — Mr. Minister, you have already sent out your letter and the issue will by and large be through within a day or two or three. There's not much point in looking at it now; you have made your choice. You've selected the Royal Bank. You've excluded the credit unions and you've excluded the other chartered banks . . . (inaudible interjection) . . . And as one member opposite has suggested, I'm catching on, and I am. It's the Royal Bank that is the individual and sole choice of the government opposite in this regard, and I've caught on.

Now, Mr. Minister, the provision for teachers' pensions is down markedly from \$54 million to \$42 million. the provision for pensions for public servants is up from 37 million to 45 million. I'm talking in each case . . . I'm talking in the one case with respect to public servants, of what I might call the defined benefit plan or the old plan; and in the other case, I'm talking about teachers' pensions and cost-of-living bonuses.

Since the same trends which will cause an increase in the need for funds for public service superannuates would be operative for teacher superannuates, how do you explain the fact that the money you're setting aside for teachers' pensions is down by more than \$10 million?

**Hon. Mr. Morin:** — Well to answer your question, the Education critic and the Minister of Education went over the teachers' plan in some depth during their estimates, and I think things came out in there. The large jump in the public service pensions is because . . . Essentially what we've done is brought forward a bunch of the pension expenses through the early retirement program. So we're at a stage now where we are where we would have expected to be in about 1990 or 1991 because of that many more people retiring and being on pension in that respect.

**Hon. Mr. Blakeney:** — Well Mr. Chairman, and Mr. Minister, I doubt very much whether that is the full explanation with respect to the teachers one. I'll pass that by for a minute and come back to it, and ask you whether or not you have managed to get the record keeping of the Department of Revenue and Financial Services into some reasonable state so that the auditor doesn't say that

everything you're doing is wrong. I don't say wrong in the sense of conceptually wrong, I'm saying incorrect in the sense that your numbers don't add up. And for a department — Revenue and Financial Services — for the numbers not to add up is a reasonably cogent criticism.

The auditor is saying that you've overstated the liabilities under the investment division by \$25.9 million; you've understated the liability under the dental plan by \$44,000; you've understated the group life liability by \$210,000; that the year before you made overpayments of the group life by 29,000 and 12,000; and the auditor keeps pointing these out. Everybody knows that an organization is going to have one glitch now and then, but 4 or 5 or 6 or 7 glitches filling up pages in the auditor's report is hardly something of which the department can take much pride. And I would ask the minister whether or not he has managed to get some sort of a handle on these many comments made by the auditor's report, all of which start out by saying that in effect the books do not give him any reasonable assurance that the accounts of the fund were properly kept so as to permit the preparation of accurate financial statement — I'm talking here about the dental fund. I could read other descriptions in about the same language; the auditor has a certain sameness of language in his report.

I would ask you: what progress has been made in getting a handle on the many problems the auditor points out?

**Hon. Mr. Morin:** — Yes, thank you, Mr. Chairman. The issues that the member raises are all issues that come out of the auditor's report and are dealt with of course in public accounts. To just shortly . . . and I might add that apparently they've reviewed these matters and are satisfied with them. The one thing I would maybe mention to you, I'd like to read just a sentence out of a letter to the former minister, to Mr. Rousseau, from the Provincial Auditor. It's dated November of '85, and the sentence I'd read is:

I am gratified to note that a number of concerns in my memorandum respecting the year ended December 31, 1983 have been addressed by the Agency and improvements have either been made or are in the process of being made.

So the auditor indicates that he's more or less satisfied.

(2030)

**Hon. Mr. Blakeney:** — Mr. Chairman, and Mr. Minister, I'm a little less than impressed with that. This was in 1985 and he said, you have made some improvements on the mess I found in '83, but not in '84. He might well have said in '85 because at that time two full years had passed. Since March of '83 to December of '85, when you say he wrote to you, two full years had passed, and he compliments you on getting on top of things he pointed out with respect to the fiscal year two years ago — indeed three years ago — but two full years had passed.

Do you feel that . . . Do you have a similar letter saying that he was happy with the things you had done with respect to the audit report for the year ended March 31, 1984?

**Hon. Mr. Morin:** — Well, Mr. Chairman, maybe I should read the whole letter, I suppose. Just to . . . (inaudible interjection). . . Well, it's a short letter, so it's all relevant.

Just for clarification, the year . . . He does mention 1983 here. The most recently audited year would be 1984. So what we're really talking about is the same thing. And if I could, I'll just read the first paragraph here. I've read the rest.

An examination of the accounting records and related internal control of the Public Employees Disability Income Fund, administered by the Public Employees Benefits Agency, has been conducted under my direction for the year ended December 31, 1984. As a result of the examination, an observation concerning the internal control has been brought to my attention. Attached is a memorandum on this matter which has been discussed with Ms. C. Laing, Manager of Financial Services, Public Employees Benefits Agency. I would appreciate the written comments of responsible Agency officials on the contents of this memorandum.

And then he goes on to the paragraph that I read previously that says, he's very gratified that we've taken his recommendations and done something with them.

**Hon. Mr. Blakeney:** — Thank you, Mr. Minister.

For the year ended 1983, and not 1984. We are . . . (inaudible interjection) . . . Yes, indeed. It's quite a good deal of progress to get this government up to 1983 in the management of its books, and you haven't managed it everywhere.

Mr. Minister, to come back to . . . The member for Weyburn must have been a very, very quiet boy in his boyhood. That is a bit of a digression, Mr. Chairman.

With respect to teachers' pensions and the cost of living bonus, can you tell us what interest was accrued in the teachers' pension fund, which was taken out of the teachers' pension fund on the grounds that it was not required by statute to be left there?

**Hon. Mr. Morin:** — Mr. Chairman, I don't have the exact number on the rate. And the reason why not is that it's more appropriately addressed to the Minister of Education, as the critic from Education would know, and he went through this at some length with us.

What I can tell you though, is that for this year — and I can run through the last couple of years — that we've contributed over and above the required contribution. For example, in '83-84 we contributed \$16.9 million over and above the required contribution; in '84-85 we contributed \$16.7 million over and above the required contribution; and for '85-86 we contributed \$81.4 million over and above the required contribution.

If you want a rate, I'd undertake to get that for you. I'm just afraid we don't have it here tonight.

**Hon. Mr. Blakeney:** — Well, Mr. Chairman, and Mr. Minister, all I know is that the vote is here and it is a vote; it's not statutory. It's for \$42 million and it seems not inappropriate to ask a question or two about \$42 million. I know members opposite, some of them, regard that as a trifling sum, particularly if it's being . . . (inaudible interjection). . .

Well, Mr. Minister, I will take up your offer to send me over the information on what money was removed from the fund, which the investments in the fund earned over and above the statutory amount required, and which were subsequently removed.

Now Mr. Minister, there is a large figure here for the payments under the public service superannuation plan for \$45 million; and another \$10 million for the employees' matching contribution plan or the public employees government contributory superannuation plan, to give it its official name. Mr. Minister, there are clearly large sums of money in this pension plan and some other pension plans, and the manner in which these sums are invested is absolutely key to the people who have pensions in those plans. This is particularly true of the government contributory plan. If you invest money in the old plan, then if the investments go bad they are presumably at the risk of the taxpayer. If however, you invest money in the new plan and it goes bad, you're taking money from the superannuates.

I am interested in knowing whether or not you are investing any of these sums in securities issued by something called SaskPen Properties Ltd. Do I understand the auditor's report to say that you are investing substantial sums in SaskPen Properties Ltd.?

**Hon. Mr. Morin:** — Yes, Mr. Chairman, we do have investments in that fund.

**Hon. Mr. Blakeney:** — Mr. Chairman, and Mr. Minister, do you have 3 per cent bonds that you have purchased, of SaskPen, as securities with pensioners' money, or with employees' money, who will be pensioners?

**Hon. Mr. Morin:** — Mr. Chairman . . .

**Mr. Chairman:** — Order. Order, please. The minister is about to make a statement.

**Hon. Mr. Morin:** — Mr. Chairman, that's a fairly auspicious introduction. I'd just like to say that we administer a fund of about \$250 million, and of that fund roughly 1 million is in SaskPen securities. Now we're trying to dig here through the information. We can't find anything that says it's at 3 per cent. Mind you, we don't have the whole listing of all of the investments with us. It may be that there are some bonds with a 3 per cent interest rate. As the member would well know, often when you buy a bond it will have a quoted interest rate but you buy it at a discount or a premium which gives you a different effective yield. This could be the case, if you know of one that's got a quoted rate of 3 per cent. But if you can provide us more information we'll certainly find out exactly what the particulars are for you.

We of course expect a rate of much better than 3 per cent,

so if we in fact in that part of that portfolio hold something that's got an interest rate of 3 per cent, then I would suggest that we bought it at a considerable discount to bring it up to market rate.

(2045)

**Hon. Mr. Blakeney:** — Mr. Chairman, and Mr. Minister, I'm reading from the auditor's report for the year ended March 31, 1985, the last auditor's report, at page 27. I cannot say, because the auditor doesn't say for certain, which pension fund bought the bonds. But I refer you to page 27 and the second full paragraph down, and he says:

The Crown agency is called SaskPen Properties Ltd. (SaskPen), and is beneficially owned by the pension funds.

I know that one of those funds . . . He tells me a little later that one of those funds . . . On page 31 he tells me it's the public employees government contributory superannuation plan — sounds like what we're talking about — and it's beneficially owned by the pension funds.

In return for the monies advanced to SaskPen, the Pension Funds were to receive as consideration for their investment, common shares and fully participating 3 per cent bonds, issued by SaskPen.

Now I was asking you whether you had any of these fully participating 3 per cent bonds as referred to by the auditor on page 27 of the auditor's report.

**Hon. Mr. Morin:** — Mr. Chairman, yes, I have that page in the auditor's report, and I think that the one area the member is concentrating on is the bond, and it's a participating bond. And of course a participating bond has more than the interest rate quoted on it; there's a participation factor. So that certainly tends to sweeten the return above the quoted rate. Plus, as they indicate, they are also common shares. It's a package, and the package rate we would expect to come in around the 10 to 12 per cent range.

**Hon. Mr. Blakeney:** — Mr. Chairman, I'm sure you would expect that, Mr. Minister, but you have no assurance of that. Is it not true, Mr. Minister, that you're in the real estate business and that you're investing in properties which are vacant lots and development properties? You may make money on them; you may lose money . . . (inaudible interjection). . . That's right.

You may ask Pioneer Trust how easy it is to make money on real estate, but you don't always make money on real estate. I am asking you, Mr. Minister, do you believe that the investments you're making . . . (inaudible interjection). . . You're going to have to shout a little louder . . .

**Mr. Chairman:** — I think we're going to have some order here. The level of noise is going up and the Leader of the Opposition cannot make himself heard. Let's bring order.

**Hon. Mr. Blakeney:** — Okay. Are you familiar, Mr.

Minister, with the comments of the auditor with respect to SaskPen and with respect to the investments by the pension funds in SaskPen?

**Hon. Mr. Morin:** — Well the answer to your question is yes, we have a very small amount of our pension portfolio in this particular security. Your comments, I guess, about you can or you may or may not make a profit or gain on the investments in the pension fund — I know that you're well aware of the pension fund regulations and that they're fairly stringent and that they have to be rather, if you'll pardon the comment, a "conservative" investment, and that they're carefully administered.

The Public Accounts Committee have discussed this matter back and forth. They've had both sides of the issue in. The auditor's argument, as I understand it, is not so much about the quality of the investment, as you seem to be indicating, but whether or not they're an eligible investment. And we have legal opinions from the Department of Finance and from our own people that they are in fact an eligible investment. I guess part of the matter is a matter of principle as to whether or not we'll invest Saskatchewan pension funds in Saskatchewan projects, which is what Saskatchewan Pen does.

You're well aware, I know, that primarily what happens, even to pension plans of Saskatchewan people, is that they're primarily administered by companies generally in eastern Canada. So, for example, the teachers in Saskatchewan or the public employees or perhaps for that matter, ourselves as members of the Legislative Assembly, put money in pension funds which are then administered by a pension administrator, for example, in Toronto, and may well go into building something like the Eaton Centre in Toronto.

SaskPen provides the vehicle that allows for an investment in Saskatchewan or Saskatchewan pension dollars to build our own economy and better our own province, and I believe that the real issue raised by the auditor is whether or not we should be investing in Saskatchewan Pen properties and Saskatchewan properties and that's . . . I believe we ought to. I believe we ought to be using that pension money in Saskatchewan.

**Hon. Mr. Blakeney:** — Mr. Chairman, and Mr. Minister, I am not raising the same point as the auditor. The auditor is not supposed to ask whether the investments are wise. He is to ask whether they're legal. He reaches the conclusion that they're not legal. You say they are.

I am turning to the question of whether they're wise. You're telling me that the SaskPen . . . Or do you agree, Mr. Minister, that SaskPen has a 20 per cent interest in the Bank of Montreal Building, the Victoria West building — that's now called the Mercantile Bank Building — and a parking facility, and a couple of vacant lots? And you tell me they've got that all for \$1 million?

Are you telling . . . I want to ask you whether SaskPen has invested in that package of real estate in down-town Regina, the chief asset of which is a brand-new building which may or may not be a successful venture. I suspect it will be, but I don't know that. And I'm asking you whether

or not SaskPen has a 20 per cent interest in that. And I'm asking you again whether you're telling me that SaskPen . . . those pension funds only have \$1 million in SaskPen.

**Hon. Mr. Morin:** — Well, Mr. Chairman, we're only one of a number of pension plans that have bought into SaskPen. So what their total holdings may be, you may very well be right in that. And I'm sure you are.

In terms of whether or not it's . . . You prefaced your remarks earlier by whether or not it was a good investment, and you were concerned about that, and you were concerned that the employees, because of the money purchase element of the plan, might end up being short-shifted on the thing. And that's certainly a very valid concern. I appreciate your raising it.

The thing, I think, that has to be borne in mind is that any investments made by us are run past the board of the public employees' superannuation plan, and that board is made up of three employer representatives and three representatives of the union. So they would have to approve the investment. So obviously the employees themselves, or the employees' representatives, have approved the investment.

I think that's item 1 in terms of security. They must have felt that it was a fairly good or a reasonable investment and would give them back a reasonable rate of return, because really they're looking after their own pensions. Consequently I would think they would look at it with a very careful eye and wouldn't be too loose with their own money.

The other point that I would simply leave you with is that we're only one of many of the pension plans that have gone into formulas.

**Hon. Mr. Blakeney:** — Thank you, Mr. Minister. Obviously I do not have information which will tell me which pension plan put money in where, save only that we know that the pension money is used as a pool so it's very difficult to know who is speaking for whom. But is it any of the pension plans for which you have responsibility that have a substantial investment in the Harwood Hotel in Moose Jaw? Are you in that or is it power or is it telephones or is it some other pension plan? I take it you will concede that one of the government pension plans has a significant investment in the Harwood.

**Hon. Mr. Morin:** — It's not us. My colleague from Lashburn says if we want to make an investment in his hotel, he'd be very interested.

**Hon. Mr. Blakeney:** — Mr. Chairman, I have no doubt. And this is exactly the problem. That's the problem. I think that quite a few people have been interested and quite a few people have been accommodated. This is the point. I am casting aspersions on the wisdom of investing in speculative real estate. I question whether or not your pension plan or any of the existing pension plans or any of the plans you propose to create should be investing in highly speculative real estate. There is no question that with respect to a down-town project like the Mercantile Bank building, it will be very heavily leveraged — I take it

no one doubts that — and that what you're buying is the speculative margin, and that that can appreciate or depreciate in value very rapidly.

Now members opposite seem obsessed with the idea of discussing other issues and I can understand why they wouldn't want to discuss this one. But I think that pensioners are interested. Members opposite may not think that pensioners are interested in where their money is going, but I think they are. I think the minister should explain just how it is that this substantial change in policy is made. Now, Mr. Minister, I think a case could, under certain circumstances, be made for some investment, but if you want to do that you should do it by legislation as the auditor suggests — and that you haven't done. And you should do some accounting; you should tell people where they stand — and that you haven't done.

You have taken this money; you have invested it without a statutory base, at least according to the auditor, and you have refused to account for it. And can you wonder why people who have pensions question whether or not that is an appropriate use of their money? Can you wonder about that?

(2100)

I want to repeat one section of this report. This is date . . . This is the auditor's report and he's got a covering letter dated January 31, 1986. He says:

At the date of this report, I have not completed my examination of the annual financial statements of SaskPen Properties Ltd. for the year ended December 31, 1983 and (December 31) 1984 due to delays in receiving the financial statements.

Now, Mr. Minister, can you possibly justify putting pension money into a company, into the bonds of a company and into the shares of a company which well over two years after the event have not presented financial statements for audit? Can you justify that? Is not that a cavalier use of the funds which are in pension funds? Can you justify this company not even presenting its statements for audit by the Provincial Auditor appointed by this legislature?

**Mr. Chairman:** — The member from Regina North would like to introduce some guests. Is leave granted?

## INTRODUCTION OF GUESTS

**Mr. Sveinsson:** — Thank you very much. In the gallery tonight we have a group from Oregon. They're actually a Jaycee organization from Oregon, and since 1952 they've been transporting a log on a transport truck to the national convention in the U.S. from Oregon, advertising tourism and their lumber industry.

Heading up the group is David Rodriguez, who is in the gallery tonight. He's their chairman. I'll ask you all to stand, and we certainly welcome you to Saskatchewan. We hope you have a good stay in Regina, and as you travel through the province, I'm sure that you'll certainly raise some interest in tourism in Oregon. You're definitely welcome here. I'll also suggest to the members that they

are selling pins and with the pins they're raising some funding that will help pay for their project. It's a very ambitious project. The Jaycees in Oregon have done it every year since 1952, and I'll ask the Assembly to welcome them to Saskatchewan with a good round of applause.

**Hon. Members:** Hear, hear!

## COMMITTEE OF FINANCE

### Consolidated Fund Budgetary Expenditure Revenue and Financial Services Ordinary Expenditure — Vote 18

#### Item 1 (continued)

**Hon. Mr. Morin:** — Thanks very much, Mr. Chairman. I'd like to . . . I want to reinforce the fact that roughly less than one-half of 1 per cent of our total fund is invested in SaskPen — that's one point.

Secondly, any investments made are approved, if you would, by a board which is 50 per cent made up by the employees or representatives of the employees of the fund. So to begin with, there's a very, very small percentage invested in the fund, in SaskPen. What investments there are, are approved by the future pension holders, if you would. So they have their own vested interests to look after. They're not going to be, as I said earlier, spendthrift or profligate with their own money. So that's two points that I believe I should make.

Third point is that I think we have to really . . . The issue here is really: are we going to use money derived from Pension plans in Saskatchewan to build Saskatchewan? Or are we going to take these moneys as we've done all too often in the province of Saskatchewan, whether it's pension moneys or anything else, and ship it out to benefit somebody else's economy? And in the pension area, for years and years — and the member knows this certainly very, very well — we have shipped our money to Toronto investment brokers who have invested that money in either eastern Canada or in other areas. And they have tended to take the view, not that Saskatchewan was maybe a good risk or a bad risk, but that it wasn't big enough to be worth playing with. So they go where they can make big deals, and take our money and put it into, as I quoted earlier, possibly the Eaton Centre. And I picked that off the top of my head — any large investment that they feel that they could do in some centre where it's convenient for them.

So if we're shipping our money down, for example, to Toronto, to be looked after by some guy in Toronto, he's much more likely to make an investment in Toronto, he's much more likely to make an investment in Toronto than he is to go around and look for the possibility of making an investment that will help Saskatchewan.

I believe it's fair and reasonable to take those moneys that are going to be paying pensions to people in Saskatchewan, that are derived in Saskatchewan, that in many, many cases are matching contributions that come from the taxpayers of Saskatchewan, and to put them into building Saskatchewan. I believe that fundamentally,

And I think that there are adequate and ample safeguards built in, if for no other reason that the employees themselves have to approve the investment. Having said that, I think that deals with the general question.

To deal with a specific question, the auditor raising the fact that he didn't have an opportunity to audit the statement of this company, there are a couple of things there. Firstly, the auditor . . . Having been on Public Accounts — and anyone here who has knows that the auditor tends to make the argument that he should get to audit a lot of things that he doesn't get to audit . . . So, for example, there are branches of government, or Crown corporations, or whatever, that are audited by private sector auditors. So it's not that they go unaudited; it's just that the Provincial Auditor doesn't audit them.

Now the Saskatchewan pension program has been audited by . . . was initially audited by Peat, Marwick. There was a change, I understand. A member of the firm, Peat, Marwick, came over into government, so that audit was relinquished by their firm. There was, consequently, some delay and that audit this very minute is with the auditor, the Provincial Auditor, for audit.

**Some Hon. Members:** Hear, hear!

**Hon. Mr. Blakeney:** — Mr. Minister, I still do not know what has kept SaskPen from having a statement which could be looked at by the Provincial Auditor for the year ended 1983, and you sure haven't told me. If Peat, Marwick weren't able to get a statement out for 1983 prior to January 31, 1986, then neither Peat, Marwick nor any of their employees should be associated with the government. They obviously are. I don't think it's Peat, Marwick's fault. I think SaskPen hasn't been keeping financial statements which are available for audit. And if you're saying that they have, but that the Provincial Auditor hasn't done his job, or that Peat, Marwick hasn't done their job, tell me. Tell me. Give me an explanation. Give me an explanation.

Members opposite ask why we're so suspicious. We're so suspicious because the Provincial Auditor has reported on this improper performance year after year after year. You people are not concerned with the fact that the Provincial Auditor is saying that these pension funds are mishandled. I am saying, we are concerned. And whether members opposite are concerned, they can have their own level of . . .

**Mr. Chairman:** — Order, please. Order, please! Let's have some quiet, please. Please let the opposition member ask his questions.

**Hon. Mr. Blakeney:** — Mr. Chairman, I would like to see if you can get a couple of those people to restrain themselves because there's no point in our shouting here when all we're doing is trying to direct some questions to the minister, and he's trying to answer. I'm not having any difficulty with the minister; it is just some of these people who wish they were ministers.

Now, Mr. Minister, can you give us an explanation as to why the auditor has not audited the statements for SaskPen in which you have a substantial investment for

the year ended 1983?

**Hon. Mr. Morin:** — Yes, Mr. Chairman, I can. To begin with, the auditor . . . As I mentioned, this matter has been discussed back and forth at public accounts, and the auditor has admitted that he has the statements with him now, has had them for some time and I understand is quoted as saying in public accounts that the ball is in his court.

Finance have indicated that the minute they get 1983 statements back from the auditor, they're prepared to give him the 1984 statements for audit. So there, I gather, there has been some delay. The preparation of the statement does not fall within the authority of our department; it's within the Department of Finance, I believe, and I can't answer for what the delay may have been on their part.

**Hon. Mr. Blakeney:** — Mr. Chairman, I'm not asking you to account in detail for whether or not these statements are forthcoming. I'm asking you why you're investing your money in a company that doesn't produce audited statements. Certainly if it were a commercial company and you were buying its shares and bonds and they hadn't produced an audited statement satisfactory to the final supervising auditor — and that's the position of the Provincial Auditor — you wouldn't touch their shares, and you wouldn't touch their bonds. And of course you wouldn't. If it were Bell Telephone and they hadn't produced an audited statement satisfactory to the final auditor, which the Province Auditor is, you wouldn't touch their shares, you wouldn't touch their bonds, and you'd be right not to do so. What I'm asking is: what is so special about SaskPen that says that they don't have to keep books, and you're still investing in their securities?

**Hon. Mr. Morin:** — Mr. Chairman, I understand that the 1983 statements are the first year of statements for SaskPen. The auditor has them now. He has more or less admitted that by saying the ball is in his court; he's had them for some time, and beyond that I can't speak for the auditor.

The issue that he's raised, when he's raised it, is in his view we don't have statutory authority to make the investment. Now in our view, in our legal opinion, and Finance's legal opinion, we do have that statutory authority. So what we have is not an unusual situation. We have legal opinions in conflict. And we feel that it's reasonable. And I remind the Chair and the Assembly we're talking about less than one-half of 1 per cent of the fund, of the pension fund — less than 0.5 per cent.

So it's not a huge amount. Any investment has to be approved by a board, half of the members of which are beneficiaries of the fund. So I think that looks after the security of the investment argument. They have approved the investments, that it's a reasonable investment in their view. And it's their money. That takes care of the security end.

We have differing legal opinions. We have made the decision in principle that we want to invest Saskatchewan pension funds in Saskatchewan, and we're prepared to do that. The member has indicated, when he talked about a hotel in Moose Jaw, that he didn't think that was possibly

an appropriate investment. That's not within this fund. I would not comment whether or not that would be an appropriate investment or not.

But I would like to say this: there are many, many communities in Saskatchewan that are smaller in size. I represent one. Certainly there are others that feel that simply because they don't have 100 or 200,000 people in them doesn't make them a poor risk.

And yet very, very often investment bankers and head offices of banks, when they're called upon to look at investments in smaller communities, whether it's, let's say, an office building in a community of 15,000 people, they very often say the market isn't big enough. Well people in Saskatchewan, because of our large geography and our relatively low population, have a lot of those types of communities. We believe that the people of Saskatchewan have demonstrated through good times and bad that they pay their bills, and therefore that they ought to be good candidates for investment, particularly of Saskatchewan pension funds, and particularly, as I said earlier, when in many cases half of the total fund invested comes from the taxpayer by way of matching contribution.

So I guess really all I can say is, we have a legal disagreement with the auditor. In principle we believe it's a right thing to do to invest money in Saskatchewan and help it build and grow, and I guess really that's where we saw off on this thing.

(2115)

**Hon. Mr. Blakeney:** — Mr. Chairman . . .

**Mr. Chairman:** — Order. Order, please! I must ask for order. There is no point in having the member of the opposition hollering in order to ask us questions. Let's have some quiet in here and get these estimates over with.

**Hon. Mr. Blakeney:** — Mr. Chairman, the minister suggests that there's a small amount now invested in these types of investments. He does not give us any indication of whether or not it will turn out to be 5, 10, or 15, or 20 times that amount in the years to come.

The issue is not right now, whether it is a small amount or a large amount, but whether or not the pension funds have adopted a policy of investing in speculative real estate. We're not now talking about mortgages; we are talking about speculative real estate. The member opposite suggests MURBs. I don't know what relevance that has to the discussion, but doubtless he will enlighten us.

I am asking you whether it is the policy of the pension funds which are covered by your department to invest in what is essentially speculative real estate. When I say invest, I mean not take a mortgage of one-half the value, but take the equity end of it. Not the mortgage end of it, but the equity end of it, which you did with respect to that package of properties that I alluded to in down-town Regina, and which I suspect you're going to do again, and it's the extent to which you're going to do that that I'm asking.

We all have fresh in our mind the record of Pioneer Trust, who invested in just these sorts of investments and lost a very large sum of money. We all have fresh in our mind the fact that other financial institutions, and I can give you a long list, but Northland Bank, Canadian Commercial Bank, Fidelity Trust, North West Trust, etc., have lost large sums of money investing in the equity end of real estate. They lost a great deal less money investing in mortgages, and obviously there is no perfectly safe investment. And I'm not suggesting that mortgages are necessarily bad — I certainly don't think that — but this is not mortgage investment. This is the equity end. Someone else has put up the mortgage money. You are going to make or lose a lot of money when you invest in the equity end of a speculative real estate deal, and that's the issue.

To what extent are you going to undertake that type of investment? And to what extent do you think your portfolio is going to be tied up in that type of investment? Because I think you owe that . . . you owe it to the pensioners and future pensioners to tell us what your investment policy is . . . (inaudible interjection). . . It's very difficult, Mr. Chairman, when members opposite are asking fatuous questions, but I'll answer one or two of them.

What about industrial parks? So far as I'm aware, not 10 cents of pension money was invested in industrial parks. So that, I hope, disposes of that interjection.

With respect to all of the other what-abouts that I've heard, if anyone can indicate that pension funds were invested in them, I'd be delighted to hear it, but I haven't heard an intelligent comment from the members opposite who are sitting in their seats.

The minister is making some intelligent comments, and I'm inviting him to make another intelligent comment and tell me, what is your investment policy with respect to investing in speculative real estate?

**Hon. Mr. Morin:** — Thank you very much, Mr. Member, I'll try not to disappoint you. I guess to go through it again, any investments made by pension funds are governed quite strictly, and in our division, for example, the investment and financial services division of Finance make their investments in accordance with Canadian and British Insurance Companies Act in Canada and The Department of Finance Act in Saskatchewan. So to begin with, they have to comply with those Acts, number one.

They have to be recommended by the investment board of the Department of Finance. They have to clear the — what's the name of it here — the board of the public employees' superannuation plan which is 50 per cent made up of people who will receive the benefit of the pensions before they can make the investment. So there's a great deal of scrutiny that takes place before an investment is made. That's the point I'd like to make.

The other point is that . . . You talk about equity investments. Large projects are very, very often done by equity investment, and the reason that they're often done by equity investment . . . and you sort of squint, but I mean, you know that's the case. Life insurance

companies, people like that often take an equity position in a project because it helps to improve the cash flow of the project, and they're in the business of making a profit for their shareholders and their policy holders and whatever. So why wouldn't they take a piece of an investment in terms of equity that will grow and accumulate and acquire capital gain to sort of sweeten the return to their investors? Now essentially what Saskatchewan Pen does is that very same thing.

You've asked what is our position with regard to speculative investment. I'd say we don't make speculative investments. And I couch that in these terms. I don't believe that an investment that could clear all the hurdles which I've outlined — the two Acts of the legislature that it has to comply with, the board in the Department of Finance, the public employees' superannuation plan — I don't believe in investments that could clear all of those boards and all of those hoops and be scrutinized that closely could really qualify as a speculative investment. I think by the time you got through that much scrutiny and review, that any investment that would get through that would be a reasonably safe and secure investment. And certainly the employees who are on the board seem to feel that having invested their money in SaskPen, that they must feel it's a fairly safe investment. I'm sure they wouldn't just throw it away.

**Hon. Mr. Blakeney:** — Thank you, Mr. Minister. That was an illuminating comment. You just say that regardless of the nature of the investment — it could be in Saskatchewan moose pasture or Saskatchewan dry holes — so long as it's looked at by all of those particular bodies, it is not a speculative investment, and that is an interesting characterization of what is a speculative investment and what isn't.

I say to you, Mr. Minister, that you have confirmed the fact that you do not have a strict set of rules with respect to investing the pension funds, and that will confirm what I think are the suspicions of a good number of pensioners and the suspicions of other people who may be tempted to join any pension fund which you may set up.

You have, Mr. Minister . . . I don't think anyone can deny, SaskPen may be a good business judgement or a bad business judgement. I express no view on that. And I certainly agree with the idea of using pension funds for promoting local development. No one is quarrelling with that, but surely, Mr. Minister, you agree that SaskPen is a piece of financial flim-flam . . . (inaudible interjection). . . Now just a moment. To the extent that anyone says that those are bonds as the word is ordinarily understood . . . to sell bonds in a company that is then going ahead and buying the equity end of a real estate venture is to use the word "bonds" in a way which no one would ordinarily use it. And I say to you, Mr. Minister, this is a way in which you have decided to invest a portion of the pension money in the equity portion of a real estate venture, which is financed substantially by loans provided by other people on the security of mortgages, and where the equity end of it is owned by SaskPen, along with others, and SaskPen is giving you a portion of that equity and calling the security which they give you, a bond. That is a reasonably unusual designation for that type of a security,



and it is for that purpose. It's a flim-flam. If you hadn't called it a bond, you couldn't have invested in it. If you had attempted to share in the equity end of that building without setting up SaskPen, you would not have been able to do it. You would not legally have been able to do it.

You set up this dummy company; you had them buy the equity end; they issued to you their share of the equity end; they called it bonds; and you said you could invest in bonds. Now that's what's happened. And I hope no one denies it, and it's a bit of flim-flam.

And I say to you, Mr. Minister, I don't want to quarrel excessively with you except to ask you to state what your policy is with respect to using pension funds to invest in speculative investments. And you've told me they can't be speculative investments because they've been looked at by committee A, B, C, and D. And I find that an absolutely remarkable judgement. And I say that people, who are depending on these pension plans, will find it an equally remarkable judgement.

I suspect, Mr. Minister, that they wouldn't object to some speculative investments, investment in speculative real estate, because it has the qualities that you say. It has growth potential, and that may be a good thing in small quantities in a pension fund, but I think they want the minister to come clean. I think they want it done pursuant to rules laid out that people know about, and the minister has very, very clearly refused to give us the rules tonight.

The auditor says it should be set out in legislation. The minister is unwilling to tell us what the rules are. And without in any way suggesting that such investments should never be made, I do suggest that they should be made pursuant to well understood rules which are understood by the people who are putting their money in a pension fund, as well as by the inner group in the Department of Finance who are making these decisions.

I say that the rules should be set out in the legislation. The other rules to which the minister referred are set out in the legislation, and I say that just so should you set out the rules under which you propose to invest pension money in speculative investments . . . (inaudible interjection). . . I'll just take a breather for a moment until members opposite relieve themselves of their frustrations.

Now, Mr. Minister, I ask you again: if you say that these types of investments are good investments, and I'm not now quarrelling with that, and if you say that they are approved by the this small group that you speak of, why are you not willing to set out the rules under which they are approved so that all the people whose money it is know what the rules are?

And may I say in passing, I wonder whether or not it is entirely fair to say that the employee representatives of the pension plan can express an absolute veto when they are being met with all of the plethora of financial data which the government people have when they're recommending these investments.

You're not suggesting that you supply the employee representatives with a similar research staff so that they

can assess the investments. I'm sure you're not. I think that it is an unequal contest, because it is government people with great back-up and research, and employee representatives with none.

(2130)

**Hon. Mr. Morin:** — Mr. Chairman, I guess the only comments that I'd like to make — I don't want to bore you with this little story — but, I remember being a young kid, and my dad was setting up a credit union with a group of our neighbours. And he came home from a meeting setting up the credit union one night raving about a guy by the name of Wes Robbins, and how this guy understood money and how bright this guy was. And to this day my father speaks about what an intelligent man Wes Robbins was when it came to money, how he understood it. And I would think Mr. Robbins, having been a member of the MDP and CCF, and a member of the group over there in government — when they were in government — would be fairly well regarded by them. He's in fact the gentleman who set up the rules on this.

Now, Mr. Chairman, the rules that we deal by and that we operate by are the very same rules that were in place and have been in place for a long, long time. The member talks about what are the exact details. The details are contained in the regulations for the two Acts that I've been talking about all night, which guarantee that pension fund investments . . . In fact one of the criticisms and one of the arguments about pension fund investments are that they're only allowed to be made in properties or in areas that are too conservative — they're too safe — to take away that are of risk.

And that's one of the criticisms that you hear people make of them — that they're too cautious; they're too much the sure thing. And consequently — and I think we all know in here that the more risky the investment, the higher the return one would expect; or the more risky the investment, the higher the interest rate.

Now in fairly secure investments the interest rate tends to be lower, and that's why you get the argument from people that their pension funds don't generate as high a rate of return as they might like, because they're invested in things that are too safe, you know.

Now I won't make that argument because I think you only have one opportunity in life to build a pension plan. If you start to build your pension plan when you're 64, it's a little too late.

So better off that you take a little less than you might otherwise have got, but that you have that security. And that's what these Acts, and the board in the Department of Finance, and the board of the public employees superannuation plan, I believe, ensure that.

We've had a good discussion tonight, and I hoped not to have to get into this, but the member has said that . . . (inaudible interjection). . . I'll ask the same courtesy of your members as you asked of mine, Mr. Member.

We've had the member stand up and say, I agree with investing pension funds in Saskatchewan. I don't really

disagree with doing a lot of this, but I disagree with the vehicle. And we hear that in here over and over again, and it seems to me that that's a bit of a catch-22 argument. I mean, it's all well and good to say, I agree with this in principle, but you're using the wrong vehicle.

I won't go into the number of things that we've heard it on, but certainly we kick one around in question period regularly. I mean, if you believe in the principle and you believe, for example, in this — investing Saskatchewan pension money in Saskatchewan — you have to have a vehicle.

Now I wouldn't . . . I mean, maybe there's a better vehicle than SaskPen, but right now it's sort of the only vehicle around. And a number of different pension plans, all of which are fairly conservatively managed, have gotten together and agreed that this will be a good and reasonable vehicle.

So I mean, if you have a suggestion for a better vehicle, I'd be happy to entertain; I'd be happy to talk to you about it. I mean, I wish we had 20, or 30, or 40 SaskPens running around, taking the money that's generated in Saskatchewan, helping to develop Saskatchewan, but I'm one who, being the fourth generation of a family who lives here, gets a little tired that we get milked like a fresh cow by other areas of the country time and time and time again, and this is one opportunity where we can at least take our own money and build our own province, and I support that fundamentally. And if Saskatchewan Pen is the vehicle, then I support that vehicle.

You asked about the rules. I'd like to say one of the rules is that an equity has to have three years' worth of dividend history before it's an eligible investment. And the other rules are laid out in the regulations to the two Acts; I'm sure that you have access to it. I know you have access to it. In fact, I'll go a step further; I'm sure you're familiar with it because I know that the pension issue is an issue that you have an interest in, and you do study and you do follow, and you're very very well versed in it, as well versed as anyone else. And so certainly, you know the rules.

I believe that this is a good and reasonable and safe investment for people in Saskatchewan, and I could only hope that in years to come we'll see more and more of them.

**Some Hon. Members:** Hear, hear!

**Hon. Mr. Blakeney:** — Mr. Chairman, and Mr. Minister, I don't intend to thrust the straw any more. It's clear that . . . You know, you just heard the minister say that in order to invest in an equity, it has to have a three-year track record. I hope he doesn't deny that SaskPen was incorporated in June of 1983, and I hope he doesn't deny that the shares of SaskPen were bought almost immediately, not three years later, in fact that they were bought almost immediately, and there was no suggestion that there was three years' wait. Those are the facts. And whether or not he says that you got to wait three years to buy shares, he didn't do it. And I'm not quarrelling with members opposite about this, I'm just saying that I believe that there ought to be a statutory vehicle. I believe it's inappropriate to set up a company under The Companies Act, or The Business Corporations Act to act in this way. I think we should have a statutory vehicle, and I think that statutory vehicle would tell the potential pensioners what the rules were and give them a level of assurance of both the operation of that company, which they cannot possibly have when it's a company incorporated under The Business Corporations Act. I have made

that point. The minister, I take it, doesn't deny that he didn't wait three years to buy these shares — I know that — and those are the facts.

Now he believes that it's entirely appropriate to have this type of a vehicle incorporated under The Business Corporations Act and acting in the way it has. I believe that the auditor makes some very good points which have not been answered. I don't propose to say any more about it, and I will . . . (inaudible interjection). . . Thank you for that helpful interjection.

But members opposite don't feel this is a serious matter. I feel it is. I feel it's a serious matter — how we're managing \$250 million worth of pension money — what the rules are. And I asked you, Mr. Minister, whether you have a general policy on how much of your money would go into things like investments in SaskPen. I haven't heard the answer. I'll get it on another occasion, because it looks like we're not going to get very many of those tonight.

Item 1 agreed to.

Items 2 to 6 inclusive agreed to.

Item 7 — Statutory.

Item 8 agreed to.

Items 9 to 11 inclusive — Statutory.

Items 12 to 14 inclusive agreed to.

Items 15 to 17 inclusive — Statutory.

Items 18 to 22 inclusive agreed to.

Vote 18 agreed to.

(2145)

**Supplementary Estimates 1986  
Consolidated Fund Budgetary Expenditure  
Revenue and Financial Services  
Ordinary Expenditure — Vote 18**

Item 1 — Statutory

Item 2 agreed to.

Vote 18 agreed to.

**Mr. Chairman:** — The minister would like to make his closing remarks.

**Hon. Mr. Morin:** — Yes, Mr. Chairman, I would. I'd like

to thank him very much. We've had my officials here for some time, and I appreciate their help. And I'd also like to thank the Leader of the Opposition for his questions. I enjoyed the back and forth and the discussion. It was very good tonight. Thank you.

**Hon. Mr. Blakeney:** — Mr. Chairman, I will add my thanks to the staff and to the Minister.

The committee reported progress.

## COMMITTEE OF THE WHOLE

### Bill No. 25 — An Act to amend The Tobacco Tax Act

**Hon. Mr. Morin:** — Yes, Mr. Chairman, I have with me Keith Laxdal, the deputy minister, and director of revenue policy, Len Rog.

Clauses 1 to 5 inclusive agreed to.

The committee agreed to report the Bill.

### Bill No. 26 — An Act to amend The Corporation Capital Tax Act

Clauses 1 to 5 inclusive agreed to.

The committee agreed to report the Bill.

### Bill No. 28 — An Act to amend The Education and Health Tax Act

Clauses 1 to 3 inclusive agreed to.

The committee agreed to report the Bill.

### Bill No. 50 — An Act to amend The Education and Health Tax Act (No. 2)

Clauses 1 to 6 inclusive agreed to.

The committee agreed to report the Bill.

### Bill No. 57 — An Act respecting Prepaid Funeral Services in Saskatchewan

**Hon. Mrs. Duncan:** — Thank you, Mr. Chairman. I have on my left the deputy minister, Mr. Kessler; on my right the superintendent of insurance, Mr. McGillivray; and behind me, the director of policy and planning, Mr. Zukowsky. He's just joined our department.

#### Clause 1

**Mr. Tchorzewski:** — Mr. Chairman, one question. Thank you, Mr. Chairman. Madam Minister, I note that there is some \$2.5 million that's been set aside in trust funds for prepaid funerals. Will this Bill be retroactive and encompass that as well, or is this only for future transactions?

**Hon. Mrs. Duncan:** — It will just cover prepaid funerals sold after Royal Assent, once it comes into law.

**Mr. Tchorzewski:** — Why is that? I have some concern

about the 2.5 million which are there now. Is it because it's legally not possible, or you choose not to do it? I notice that in Ontario there have been cases where these funds have been misappropriated — those are your own words — and I know that to be the case. Is it because it's legally not possible, or what seems to be the difficulty here?

**Hon. Mrs. Duncan:** — That sum that you're talking about, the \$2-million-odd is presently covered under The Cemeteries Act, which also has a section that deals with prepaid funerals, and that money in Saskatchewan is held on deposit in trust.

**Mr. Tchorzewski:** — Okay. I think I understand that. The council is going to pass by-laws — that's quite normal. It will also set aside or develop an insurance fund to pay out any claims. Maybe I missed something in the Bill, but what is going to regulate this insurance fund? Is there some other aspect to this that's not here, or some other piece of legislation, or what will regulate those insurance funds?

**Hon. Mrs. Duncan:** — The assurance fund will work similar to the real estate assurance fund that has been in effect for quite a number of years. It will be regulated by approved regulations, subject to the approval of the superintendent of insurance, and ultimately the Lieutenant Governor in Council.

**Mr. Tchorzewski:** — Mr. Chairman, I don't have further questions. Basically, in principle, this Bill, we're satisfied with the intent of it. We will obviously — and I'm sure the department officials will obviously have to monitor its effectiveness over time — but we can proceed to do clause by clause.

Clause 1 agreed to.

Clauses 2 to 14 inclusive agreed to.

#### Clause 15

**Mr. Tchorzewski:** — One question, Mr. Chairman. There is a provision here where the buyer of a contract can have funds returned because of a cancellation. Will that include interest on the funds, or just the initial amount of money that was put in?

**Hon. Mrs. Duncan:** — It will include interest as well. And there was a reason for putting that provision in. We have found in other parts of Canada people that have bought a prepaid funeral, perhaps 10 years ago and maybe have paid \$2,000, if they cancel today they simply get their \$2,000. So that was requested by the association to make sure that this particular section was in the Bill.

Clause 15 agreed to.

Clauses 16 to 33 inclusive agreed to.

The committee agreed to report the Bill.

## THIRD READINGS

### Bill No. 25 — An Act to amend The Tobacco Tax Act

**Hon. Mr. McLeod:** — I move that Bill 25 be now read a third time and passed under its title, Mr. Speaker.

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

**Bill No. 26 — An Act to amend The Corporation Capital Tax Act**

**Hon. Mr. McLeod:** — I move that Bill No. 26 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. 28 — An Act to amend The Education and Health Tax Act**

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

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

**Bill No. 50 — An Act to amend The Education and Health Tax Act (No. 2)**

**Hon. Mr. McLeod:** — I move that Bill No. 50 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. 57 — An Act respecting Prepaid Funeral Services in Saskatchewan**

**Hon. Mrs. Duncan:** — I move that the said 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.

The Assembly adjourned at 10:04 p.m.