

EVENING SITTING

COMMITTEE OF FINANCE

Consolidated Fund Budgetary Expenditure
Finance
Ordinary Expenditure — Vote 18

Item 1 (continued)

Hon. Mr. Blakeney: — Mr. Chairman, and Mr. Minister, we were dealing with the Saskatchewan Economic and Financial Report of March 1987. And we were dealing with the question of what things were charged against the deficit for the current year, and what things were not charged against the deficit for the current year, and how you could write off your advances to the agricultural credit corporation and call those a charge on the revenues for the current year, whereas you do not do the same thing for SEDCO (Saskatchewan Economic Development Corporation) or the Saskatchewan Forest Products.

I am trying to figure out on what basis you decide that when you are writing off deposits or advances to corporations — deciding you're not going to recover them — sometimes you decide that this is something which affects your deficit for the year in question, and sometimes you decide that it's going to increase the overall deficit, but somehow you're not going to count it in this year's deficit. Would you care to tell me why the ag credit corporation was written off against the fiscal year ending on March 31, 1987 and, let us say, SEDCO was not?

Hon. Mr. Lane: — If I could back up just one matter. If one takes page 8 of the financial report, and you take the revenue shortfall and the expenditure increases, that will come to 1.2 without including the write-offs on SEDCO and Sask Forest Products and . . . Okay.

The reason that the long-standing policy on the write-off of the losses has been against the cumulative deficit . . . I'm advised that the reason for the difference with regard to the ag credit corporation is in the statute of the corporation, whereby, we're required to make that payment over for these loan losses.

Hon. Mr. Blakeney: — Thank you, Mr. Minister, I think I have to disagree with you. I've looked at the statute. I have it here. If anyone cares to refer me to the section which requires that, I'd be delighted to hear it.

Hon. Mr. Lane: — I don't have a copy, and I simply can repeat, that's the advice that we have for the difference, that it is statutory, and it's upon that that we did it in this manner.

Hon. Mr. Blakeney: — Thank you, Mr. Minister. I would be more than interested to know who gave you advice that you were required to do it, but I'll pass that by. If your officials can indicate who said it was required by the statute, being Chapter A-8, I'd like to know. But moving on, moving on, Mr. Minister . . .

An Hon. Member: — Do you want us to get it?

Hon. Mr. Blakeney: — Well if it's right at hand . . . Somebody can have my copy or they can get their own from the Table. It's Chapter A-8 which provides indeed that out of the money appropriated by the legislature, the minister may make grants, but that's all.

An Hon. Member: — We'll see if we can get it quickly.

Hon. Mr. Blakeney: — Okay. I want to underline the point that the 1.2 billion that the minister indicated in March would be the likely deficit, which he has since adjusted to 1.235, did not include the \$45 million that he says he wrote off with respect to SEDCO and the forest, potash corporation and the Saskatchewan Transportation Company. And I simply underline the fact that those losses have been sustained, and the accumulated deficit of the province has gone up that additional 45 million over and above the 1.2 billion the minister spoke of.

Mr. Minister, you say that there's a custom to write these off against the accumulated surplus of the province, and there may well have been a custom when there was a surplus. There has not been a surplus for some little time . . . (inaudible interjection) . . . Well, or I will say deficit then. But the custom didn't prevail when there was any deficits. And I would like the minister to indicate when the last write-off of a Crown corporation was written off against the accumulated surplus or deficit? When did that last happen?

Hon. Mr. Lane: — My officials will go back. They do indicate that they have written off loans against revolving funds. For example, the grain car corporation, you may recall that there was some considerable dispute with the Provincial Auditor that went on over several years, and that is being written down over a period of time as well.

Hon. Mr. Blakeney: — Thank you, Mr. Minister. I think each of those will be very different from a write-off. We've had write-offs. We had write-offs for SEDCO two or three years ago, and I'm not at all sure they were dealt with in this way. They may well have been, and that's what I ask the minister. But, Mr. Minister, I want to . . . It may well be in the case of SEDCO they were written off on the books of SEDCO and not on the books of the province, that could be.

I want to turn to this question of the speculative news stories about write-offs of various figures, sometimes quoted at \$810 million for the Potash Corporation of Saskatchewan. And you and I have had some correspondence on this, and you tell me that decisions have not been made, notwithstanding that the stories have been around for four or six months.

Mr. Minister, in the annual report of the potash corporation for the year ended 1986, which was tabled in March of 1987, I do not detect anything which suggests that the corporation, in the opinion of the board or the management, the corporation is in such a powerless state that a massive write-off would be necessary.

In your *Saskatchewan Economic and Financial Report* of

March 1987, you do not mention it. We're not talking about a trifling sum here; we're talking about \$800 million. Somewhere between March and May you reached the conclusion that the potash corporation was effectively bankrupt and needed to have — when I say needed to have, I mean that the province had to regard its investment in the potash corporation as being next to worthless. When did you reach that conclusion? Did you reach it . . . had you reached it before March of 1987, and if so, why didn't you mention it in the Saskatchewan Economic and Financial Report of March 1987? And if you hadn't reached it by then, what crossed your mind between March and May which caused you to think that somewhere in that 60-day period that you dropped \$800 million?

Hon. Mr. Lane: — Well I wasn't the minister responsible prior to, I believe, October-November of 1986. When we began . . . or one of the first things was a full analysis of the state of the corporation.

One thing I think you will note in the annual reports of the potash corporation — I don't have a copy before me — is the serious reduction over the last few years on retained earnings, which the significant reduction of retained earnings was, I think, a strong signal that all was not well. Of course we were going through a rather lengthy period of depressed prices, and as we went through that review, it became abundantly clear to me that the corporation with the serious debt load that it had with prices, and even assuming that prices would increase a reasonable level, would not financially be in the position to get out of the financial hole it was in. And so options were and are being considered as to how best deal with that, and that is certainly an overview of my thinking on the potash corporation with the options available to how to turn the company around as well.

Hon. Mr. Blakeney: — Mr. Chairman, and Mr. Minister, speaking of the potash corporation and speaking of its total long-term debt in which I include capital leases — which I think is fair and everyone would concede that they are in the same position as debt — the amount of the long-term debt is \$662 million, and it part of the debt which I take it you feel cannot be borne by the potash corporation and, therefore, requires to be re-financed or converted into shares or written off or whatever options you're considering.

Mr. Minister, this debt consists of various issues of bonds which are set out on page 16 and various leases which are set out on page 17 of the potash corporation report. And, Mr. Minister, would you agree that, aside from about \$115 million, this entire \$662 million is debt contracted after May of 1982? Would you concede that virtually all of the debt of the potash corporation, which is on the books of the potash corporation, is on there after May of 1982?

(1915)

Hon. Mr. Lane: — As the hon. member knows that, prior to 1982, what had happened was there was a substantial equity injection into the potash corporation from the heritage fund. We don't have . . . We weren't expecting to debate the details of potash at this time, but there was

debt incurred prior to 1982, guaranteed by the province of Saskatchewan. Certainly there was significant debt, and I'm saying significant only because I don't have the precise figure. Since 1982 the bulk would, at least at this time I think, be from what's incurred for Lanigan.

I'm not sure, and I don't recall exactly when that was put onto the books of the corporation, but certainly there would be a significant amount of the debt incurred since 1982.

Hon. Mr. Blakeney: — Mr. Chairman, and Mr. Minister, do you concede that something over \$225 million of the debt of the potash corporation was incurred in borrowings from the Government of Saskatchewan since you became Minister of Finance — \$225 million?

Hon. Mr. Lane: — Well I can't concede and I can't dispute the figure, either, only because I don't have it before me.

Hon. Mr. Blakeney: — Well it's just 225 million; it perhaps hasn't come to your attention yet. But, Mr. Minister, the point I want to make is reasonably obvious — that at the end of 1981 the debt of the potash corporation was 88 million. I don't know what it was on May 5, 1982, but it may have been something more than that. Now it is 662 million.

I am not quarrelling with the decisions made by the member for Yorkton when he was chairman of the corporation and when he spoke glowingly about the future of the potash corporation. I'm not quarrelling with the decisions made when other ministers — the member for Saskatoon Sutherland, now chairman, the investments which were made when he spoke glowingly of the future of the corporation, because I think, by and large, aside from a little in error in timing and perhaps a big error in timing — we don't know — I think their decisions were right.

What I suggest is that when virtually all of the debt of the corporation was incurred, since May of 1982, it ought to be recognized that if there is a massive write-down of this debt or a massive conversion of this debt into shares, then what is being written down, what is being written off, or somehow devaluated, is money advanced by the government opposite after they took office in May of 1982.

I think they made some good investments and I think they will pay off. But should I be wrong, should I be wrong, just maybe then the debt which was written off is debt put on by the member for Yorkton when he was minister in charge, the former member for Sutherland, Paul Schoenhals, and the other chairman. And I just want to underline that, because if anybody is talking about massive write-offs of debt, we know where the debt came from. It came from the member for Yorkton and the others when they shared that ministerial responsibility.

As I say, I think that while we — hindsight — we all have 20/20 hindsight, I think that five years from now or 10 years from now we're going to say the member for Yorkton was right, and the former member for Saskatoon Sutherland, Mr. Schoenhals, was right to put some money

in that corporation. But should they and I be wrong, then we know that we lay it at the door of the member for Yorkton and Mr. Schoenhals and others. But if it was a bad investment, surely . . . If a very small amount of money, and it would be a very small amount of money had been spent up to that time, you don't put another \$600 million into it — which is what was done. And the figures speak for themselves and cannot be gainsay.

As I say, I think you didn't make an error. But if an error was made, it was made by those who raised the debt of the potash corporation from \$88 million on December 31, 1981, to \$662 million on December 31, 1986. And that is a massive increase in debt.

Mr. Chairman, the member for Wilkie is asking about debt paying. If he would enter the debate, and he's free so to do, I would be happy to attempt to deal with the question.

I want to make one other point. The member for Qu'Appelle-Lumsden has suggested that the net equity of the corporation has declined, and he's right. But may I remind him of the 1983 performance of that corporation when a loss was made of \$18 million and a dividend was paid of \$62 million. Now that, I say, is designed to reduce the net equity of any company. make yourself a loss of \$18 million, pay yourself a dividend of \$62 million, and you will indeed drop the net equity by 78 million in one year. Now we can hardly remark on the fact that the net equity is going down when we have a policy of paying dividends of \$62 million in the face of very substantial losses of \$18 million in that year, and in the year before, a very, very modest profit of \$1 million. Certainly there were accumulated surpluses.

A great deal of money was made in the period immediately prior to 1982 by this corporation. I do not suggest that it all came about because of the particular skills of the management, but I point out that '78 had 25 million; and '79 had 78 million; and 1980 had 168 million; and 1981 had 142 million. Any one of those years would turn around this corporation. That is not my point, Mr. Minister. My point is that the potash corporation has been run into the financial ground by the government opposite by paying substantial dividends in years when they had substantial operating losses, and in borrowing very large sums of money and injecting virtually no new equity. That is a prescription for very difficult financial times.

Very large capital expenditures were incurred — over \$500 million. virtually nothing was put in in equity; all borrowed money; no reference to any standards of debt/equity relationship which ordinary business men would use; and then, lo and behold, the company is in some difficulty for one year now, and we have it stated that somehow the corporation is a failure. Well the management has been a failure. The management has been a failure, but the corporation should be given a chance.

The corporation should be given a chance to achieve some of the outstanding successes it had in previous times. I freely admit that the equity which stood at 732 million in 1981 has been run down to 500 million. But

even 500 million in equity is not an insignificant sum of money. And I think that the suggestions that somehow massive errors were made at some period in the past is in no way supported by the figures because the big debt was run up after May of 1982, and I hope no one denies that because it all is on the books and it is in the annual report and it cannot be denied.

If the corporation was a . . . If it was unwise to get into the business and spend 88 million in borrowing, how much more unwise to borrow another 500 million? Well I think both were wise, but it's pretty hard to maintain that to borrow 88 million is bad news but to borrow another 500 million is good news, as some members opposite seem to do.

Leaving that aside, Mr. minister, I want you to tell this committee what you have in mind with respect to the treatment of the potash corporation on the books of the province. Do you intend to write off 810 million or any other sums that you have referred to? Do you intend to convert debt owing to the province into equity? Do you intend to value the shares that you take in exchange for your debt as the amount of your debt, or do you intend to declare that you have suffered any capital loss? Would you give the committee a statement of what you have in mind?

Hon. Mr. Lane: — Well obviously it's not in the budget. Any of the options are not taken into account for the purposes of the '87-88 budget. Just to go back. I think that the hon. member should not let the public forget when you talk about a debt of \$88 million, the loss that some would call the opportunity losses as a result of the choice to put \$450 million into this particular investment.

The fundamental question about potash is: should the people of Saskatchewan, the Government of Saskatchewan have invested in, I suggest, a highly volatile and risky venture. That's the fundamental question and I think that whatever decisions the government ultimately makes, I'm sure that's how the public will judge.

There's little doubt as well — and one can't be critical of the debt if one is agreeing with the decisions — there's no doubt we had the company when we assumed office in 1982, and we did try and make decisions to make the company go. And the decisions that will be made with regard to a debt write-down, in whole or in part — a debt/equity swap — are from the same position to try and make the company go. Those are the decisions that we've faced and that is what the decisions will be designed to do, is what can be done to make the company go.

Hon. Mr. Blakeney: — Thank you, Mr. Minister. I'm reassured by that. I think the members might be interested in some of the comments:

It is our firm belief that a new and strong PCS can emerge. With this belief in mind the board of directors supported management's recommendation to continue with all of our major projects in Saskatchewan. I refer to the PCS Mining Lanigan phase two expansion which is now under way.

This is the member for Yorkton in March of 1983, full of optimism.

(1930)

Then moving along:

The optimism with which the board of directors and the provincial government view PCS is reflected in the decision announced shortly after year end that the corporation would move its new headquarters in 1985. While their decision was based primarily on economic reasons, the fact that it involves, a 20-year commitment indicates the confident way in which the future of the corporation is seen.

This is, Mr. Chairman, Cliff Wright in 1984, and so on. So a good deal of optimism was expressed, and very little of the concerns which are now expressed by the minister.

Mr. Minister, I will make one final question to you and put this to rest: do I understand then that you have not made any decisions with respect to any different way of handling, on the books of the province, the investments which are shown as being investments in the potash corporation of Saskatchewan? And I am particularly referring to the Public Accounts of 1985-86, the last which I have, and I am referring to Volume 1 at page 15, where it is indicated that \$494 million is a loan to the potash corporation of Saskatchewan; and on page 17, that \$418 million is an investment in the potash corporation.

I know that those numbers have changed somewhat in the fiscal year ended 1987, March 31 '87, but is it your intention to reduce those numbers in some way or change them, so as to reflect a different valuation on the books of the corporation of the government's investment — using the term broadly — including loans and advances and investments in the potash corporation of Saskatchewan?

Hon. Mr. Lane: — No decisions have been made.

Hon. Mr. Blakeney: — Mr. Chairman, and Mr. Minister, I noted — and that's my earlier point, and I refer now to page 15 of Volume 1 of the Public Accounts. There it is stated that there's \$494 million lent to the potash corporation of Saskatchewan, and we have . . . and I'm querying how you could reduce that without affecting the budget deficit for . . . the annual budget deficit.

And I'm looking above, and I see an advance to the agricultural credit corporation of \$1.215 billion which appears to be of exactly the same variety of investment, and I've raised it earlier.

I'm puzzled at the way in which you can deal with a reduction in the value of the investment in the agricultural credit corporation in one way to affect the annual deficit and the potash corporation in another way not to affect the annual deficit. I know you're looking that up for me; I won't labour the point except that on the face of it, they appear to be on the books of the province carried in exactly the same way. And I would have thought on first

blush that if you were going to write down one and charge it against the budget deficit for the year, then if you wrote down the other, you'd have to charge it to the budget deficit.

Hon. Mr. Lane: — Well, as I've indicated the write-down is only one option. There is the possibility of a debt/equity swap as well. And I know our differences; I just restate the advice that we have in terms of the ag credit corporation and the statutory provisions.

Mr. Tchorzewski: — Thank you, Mr. Chairman. I was going to give up my place to the member for Wilkie who wanted to speak, but apparently he doesn't. And then I was going to make . . . let the member from Regina win the prize — Regina Centre.

I want to just pursue another aspect of the Department of Finance's role and the minister's role with regard to the potash corporation, and the matter I want to raise briefly is the matter of the write-down that you've proposed to make. The confusion that seemed to surround it, the confusion — you can correct me, if you wish, afterwards. The confusion that seemed to surround it, and what I think to have been a major factor in the decision by the Department . . . United States Department of Commerce in imposing the tariffs that they did on potash moving to the United States.

Mr. Minister, you are quoted in March of 1987 saying, after you had said that there was a problem and you were going to deal with it, you were quoted in March of 1987 in the Leader-Post as saying:

The provincial government has scrapped its plans to write off the Potash Corporation of Saskatchewan's (PCS) debt for fear the move will be seen as subsidization by Americans already lobbying for tariffs (in the) Canadian potash imports.

This is said, this news story, to have come from yourself, Mr. Minister. You obviously realized at that time that there were some serious implications.

In July of 1987, another newspaper report, I believe the Leader-Post again, said:

(The provincial government will) write off the Potash Corporation of Saskatchewan's \$810 million debt.

And that was one of the elements that seemed to begin to trigger considerations by people who were bringing the case on behalf of the industry and the United States to the Department of Commerce there. Because in July of 1987, as well, there were statements made by one Ted Kassinger, who was the Washington lawyer fighting to get tariffs imposed on Canadian potash, which I think were very revealing. And the statement that he made was:

(The) plans to write off the Potash Corporation of Saskatchewan's \$810 million debt will ultimately strengthen the U.S. anti-dumping action launched against the Crown corporation.

He further also said that . . . or the article said in reporting on Mr. Kassinger's comments:

The Progressive Conservatives' proposal to write off the debt could be welcome evidence for the case of new Mexico potash producers who are trying to get a 43-per-cent tariff imposed on all Canadian potash sold in the United States.

As it turned out, some of that tariff ended up being 85 per cent, Mr. Minister, why did you not take into consideration the implications of all of this on the dispute that was being adjudicated into the United States and the impact it might have on their decision when you were making these kinds of statements. Did you not think that those kinds of statements would be used by the lawyers who were acting on behalf of the American industry to fight for the case that they were trying to make before the Department of Commerce?

Hon. Mr. Lane: — I cautioned the member earlier to realize that we are considering options. In fact, the write-down of the debt could well be a very positive factor in determining constructive costs for the purposes of dumping. So to interpret the talk of write-down, write-off as being harmful to the case is, quite frankly, contrary to both the legal and the political advice we get in the United States.

Secondly, I can recall spokespeople in the United States talking about this being a positive initiative by the province of Saskatchewan. If I recall, and I paraphrase — I don't think I'm misinterpreting what he said because he was quite specific — for example, the mayor of Carlsbad — and Carlsbad is a major player in terms of the anti-dumping acting in the United States — said that the write-down of the debt is the first indication that they have that the province of Saskatchewan is going to run the potash corporation as a private sector business, and that this was healthy and to the advantage of the corporation in the dumping charges.

We have to walk the line quite carefully between dumping and countervail. And so certainly we have to be cautious walking that line, but here are many indications that the write-down of the debt or perhaps a debt/equity swap will enhance the position of the potash corporation before the U.S. Department of Commerce.

Mr. Tchorzewski: — Well obviously it didn't because the decision is well-known. The decision is well-known, and I know that there are further hearings that are to take place.

Mr. Minister, what I would like to draw to your attention, that it seems to me that the mayor of Carlsbad would not be quite as knowledgeable about the value of this in fighting the case before the tribunal, whatever it was, in the United States, as would be the mayor who was fighting that on behalf of the industry in New Mexico. And it is that person who said, quite explicitly and quit clearly, that his case was considerably enhanced by what was being said here in Saskatchewan. And I simply say, Mr. Minister, that was clearly an example of atrociously bad judgement on the part of the government at a time when it was clear that there was bad signals

coming from south of the border. And I leave it at that because I don't think your debate and my debate is going to change our arguments with respect to that. But I want to make that point because I think it's an important point that might be made.

I want to ask you one other thing, and my colleague, the member from Elphinstone, the Leader of the Opposition, referred to it when he referred to the dividends that your Department of Finance took out of the potash corporation before you were the minister, as opposed to the amount of profits that the potash corporation made. And the statistics I have is that between 1982 and 1984 the potash corporation had to pay \$124 million in dividends to the government. Between 1982 and 1984 the potash corporation paid dividends of \$124 million. But I am also told that the combined profit for those three years is only \$8 million.

Now how can you justify taking that kind of dividend out of a corporation like the potash corporation of \$124 million when its profit was only 8 million over that period of time? It seems to me, Mr. Minister, that that's robbing from Peter to pay Paul, and even worse, it seems to me that the government — and I admit you were not the minister at that time — but your government was determined to make the potash corporation look bad in order to help its deficit look a little better. Now can you justify that kind of a transaction to the committee?

Hon. Mr. Lane: — Let me just clarify at the outset that the rulings announced by the U.S. Department of Commerce are preliminary. They are not final rulings.

Secondly, if one was to take the hon. member's argument, one would assume that the highest duties would have been imposed against the potash corporation. And, of course, we know that they weren't, that there were other companies that had considerably higher duties than the potash corporation. I can simply indicate again to the hon. member that there's some strong indication that the debt write-down or write-off may in hence lower the constructive costs on the dumping charges to further prove the case that there was no dumping.

I think the hon. member — to respond to the latter part of his comments — that the hon. member can go back to prior to 1982, when it was much expressed that the potash corporation was going to be a key vehicle in the economic development and in the finances of the province. I think it fair to say that the hon. member took much revenues from potash into the revenues of the corporation.

(1945)

So to suggest that because it very quickly turned out to be not quite as optimistic at one point, that the taxpayer should offset that revenue loss when the corporation had retained earnings, I think, would have been unfair to the ordinary taxpayer.

Mr. Tchorzewski: — Now I was going to leave that, Mr. Minister, but you tempt me. I want to make it very clear that we took, for the years of 1980 and 1981, \$50 million in dividends. But I also want to tell you, Mr. Minister, that

the net earnings of the potash corporation in 1980 were \$167 million, and in 1981, \$141 million.

The investment was making a very high return. No one can deny that, and neither can you, Mr. Minister. It was an investment that was working well.

Now I suspect that the potash corporation would be in far better shape today if your government hadn't immediately, on election, decided that it was going to make the potash corporation look as bad as possible, so it made sure that the potash corporation's share of the offshore market would become less than it was prior to April of 1982. It became less as compared to the other mines, sector mines in the province. All of those decisions such as that one were geared to down-play the role and the well-being of the potash corporation, which as my colleague mentioned earlier and explained very well, was a good investment. A \$418 million investment had something in excess by 1981, December of 1981, an equity of \$732 million, and a debt of only \$88 million, and had been paying those kinds dividends because of the earnings.

I'm not going to pretend that those earnings under the market conditions that developed over time would have been maintained at that level. I mean, I'm not that unrealistic that I would suggest that. But I'm saying the potash corporation could have done far better if there had been a deliberate attempt by management to make sure that it was doing well and had done better.

Mr. Minister, I'm going to leave that for now, and I want to pursue further what I had begun questioning you about at the beginning of your estimates, and that's the whole question of the mismanagement and why we are where we are. I want to just state again that in spite of all the arguments that have been made by you and your colleagues about somehow the problem that you face is somebody else's fault, it can't be denied that the financial mess that Saskatchewan faces today is primarily a mess of the government's own making. It's a result of its political expediency and the kind of mismanagement which we have referred to.

Now I think that the public is legitimately concerned and should have some assurances that maybe this will not continue. I'm not sure that they're confident that it won't continue. But one of the first places you could begin by providing us that assurance in this committee, Mr. Minister, is give us some assurances about when the next budget is going to be, and assure the committee and the people out there who depend on a timely budget to know where they stand — more or less when you intend to bring in this next budget which is, obviously, only something eight or nine months away from now, or less.

The reason I want to ask that question, Mr. Minister, is because the process that took place this year was really a process that showed great disregard for responsible government. And I say that the reason for that probably is because this government seems to have some kind of an 18th century view of the world, and that is, that government doesn't have to answer to anybody. It has to do what it thinks, and the Premier will say what it thinks is right, but that's fine. After that, they don't have to answer

to anybody. There's kind of a "big brother" view that government knows best.

So, Mr. Minister, since this is the first time in the history of Saskatchewan that we've had a budget later than April 10 — and the only time that it was brought down in April was in 1985 — can you tell the committee, and I don't expect to hold you to a date, but can you tell the committee whether your next budget is going to be brought in before the beginning of the next fiscal year?

Hon. Mr. Lane: — Yes, it's our intention to bring it in prior to the start of the fiscal year. I can't give you date and you didn't ask for one.

I'd like to put in perspective. The hon. member has taken the position — and I'm sure he sincerely believes it — that he, on leaving the portfolio, left a surplus. Obviously that was not the case, and I think that the reason for the early election in 1982, prior to the passing of the budget, indicated that the hon. member knew full well that he couldn't meet the targets. But even let's take his argument that he did leave a surplus — \$130 million is the figure that the NDP have thrown out.

An Hon. Member: — 139.

Hon. Mr. Lane: — \$139 million. That means that your administration, during a time when there was extremely high resource prices . . .

An Hon. Member: — \$10 a barrel.

Hon. Mr. Lane: — No, extremely high in relative . . . and very high potash . . . The hon. member wants to ignore that. I suggest to the hon. member that \$139 million surplus, if we accept that figure for debating purposes, means that you left office with the province having enough money to operate government at 1982 expenditures for 18 days — 18 days of operating government at 1982 expenditures is not much of a surplus to leave. So I suggest to the hon. member that we can debate this for some considerable period of time but the figure that you've sued and held out is one that perhaps leaves some question in the public's mind as well.

So I've indicated to the hon. member that we hope to have the budgetary process back on a traditional and normal track next year. We hope to be able to indicate, particularly to those third parties that need to do their budget planning earlier, we hope to be able to give them an indication in fair time and get the whole process back on track.

Mr. Tchorzewski: — Mr. Minister, it just so happens that I brought the July 1986 Saskatchewan economic and financial position with me today. And for you benefit I want to remind you that it is issued by the Saskatchewan Finance department under the signature of one, Hon. Gary J. Lane, Minister of Finance. Mr. Minister, that is your financial statement, and you make it very clear here on page 13, for 1982, year ended March 31, excessive revenue overexpenditure \$139 million — then some more — thus rounded off to \$140 million.

I remind also the committee, Mr. Minister, and Mr.

Chairman, that during those 11 years prior to that surplus, there was never a deficit the kind of which you have had accumulated in your last six budgets. In your six budgets since your government took over, there has been a huge deficit every single year.

Now there could be a lot of explanations for that, but one of the explanations, clearly, is that some of the revenue side decisions you made were decisions that were wrong. They were bad management decisions. They were political decisions that had nothing to do with fiscal responsibility.

First of all, you gave up \$300 million a year, or in total during your first term of government, a billion dollars of oil revenues. You cancelled the gas tax. Quite popular. Your members in the back benches applauded it, but none of them asked you what the implications were. Well they were \$700 million over the period of the first term of your government. That's \$1.700 billion.

In order to finance this borrowing, you had to make up that shortfall in revenue, Mr. Minister. It cost you another somewhat in excess of \$300 million in interest charges over that period of time. There was your total accumulated deficit by the end of 1986. It's as simple as that.

And I haven't even spoken about the waste in the expenditure side, which may very well have given you even a modest surplus, if you had wanted it. I remind you also that during the time when we ran those balanced budgets, and sometimes surplus budgets, that the price of oil was \$10 a barrel. The price of oil was \$8 a barrel. During the time when you ran your deficits, the price of oil was 27, 28, and \$30 a barrel, all but for the last year or so.

So don't try to say to the committee and to the taxpayers that somehow it's all somebody else's fault. You had choices to make. You made those choices, and they were the wrong choices. They were the wrong decisions. Mr. Minister, you had other choices to make, and you made them. And I want to ask you about them.

Earlier this year, you borrowed some money. You borrowed some money in Japanese yen. Now it is well-known to anybody who gets into this kind of market that when you borrow yen, you are playing high-stakes financial poker because the value of yen compared with many other currencies can rise dramatically, and in recent years, it did. And the example that was used when you borrowed that money to demonstrate that was that, had you borrowed \$100 worth of yen five years ago, today you would have had to pay back \$180 because of the change in the value of the yen compared to the dollar.

Now, Mr. Minister, can you tell me, since you've borrowed the yen, has there been a change in the value, and what is the status of the money that you have borrowed today?

Hon. Mr. Lane: — Let me, let me . . . just so the hon. member perhaps has it clear. All of a sudden the forgiveness of the . . . or the oil royalty is now costing 350 millions of dollars a year . . .

An Hon. Member: — No, I didn't say that.

Hon. Mr. Lane: — No, that's what you said. In fact, it was in total, it was that amount. About five years, to the hon. member. Five, five.

So we acknowledge that the cost of foregone revenues over the five-year fiscal period, '82-83 to '86-87, was \$350 million or \$70 million per year. However, let's compare to what was in place prior to 1982. The NDP had an oil incentive program. No matter how much they hate the oil industry, they still decided that there was a few southern seats that they wanted to try and hang on to. They had a program that cost \$178 million per year, or 178 million or \$59.5 million per year. A difference between the two programs of approximately \$10 million per year.

However, here is the difference in results for only \$10 million per year. There were 9, 250 wells drilled under a Conservative government; there were only 3, 470 oil wells drilled during the time of the NDP program. But as well, because the NDP had a grant program to the oil industry, when we took office in 1982, the NDP left a \$300 million liability owed by the government to the oil industry under the grant program that you had established.

An Hon. Member: — Sure, sure.

Hon. Mr. Lane: — Well the hon. member . . . I'm sure they didn't tell him everything. But . . . And maybe he did forget, but short — it maybe good but it's very short. I suggest to the hon. member that realistically when you look at the cost, aside from the \$300 million liability owed to the oil companies when we took office because of the grant program, the differential between our oil program in foregone revenues and yours under the grant program was a difference of about \$10 million per year, but, in fact, nearly three times the number of wells were drilled and the activity is three times as great.

(2000)

An Hon. Member: — Well, what did you get for it? You got nothing for it.

Hon. Mr. Lane: — Well the revenues have gone up significantly in several of those years and the hon. member knows that.

With regard to the foreign exchange rate exposure, let me give you the overall view, and I will talk about specific borrowing programs as you raise them. About 80 per cent of the province's debt was denominated in Canadian dollars while about 20 per cent is denominated in U.S. dollars. Virtually all of the debt denominated in U.S. dollars is for the purposes of Crown corporations.

On April 6, 1987, the province entered into a two-part financing package with Nippon Life Insurance and Company. The first part of the deal was a 5 billion yen loan for 10 years with a 5.5 per cent coupon. The second part of the deal involved the sale of \$85 million in Canadian dollar denominated bonds to Nippon Life. The purposes were for the consolidated fund.

The part one of the package deal results in the consolidated fund having a yen foreign exchange risk. The province took both sides of the transaction. We could not take just part one of the deal; we had to take both part one and part two.

The proposal and the factors are about some five or six rather technical paragraphs, and I'll get them highlighted, but the policy of the borrowing is as follows: that in virtually all of the foreign borrowing, they are swapped back into Canadian dollars. The practice, I gather, has been for some time that a modest amount may be borrowed directly to maintain the province's position, but virtually all of the borrowings are swapped back into Canadian dollars.

Mr. Tchorzewski: — Mr. Minister, you, in your statements on oil revenues just made my point about mismanagement. Here is the scenario which shows how badly you have done. In 1978 oil revenues to the Saskatchewan treasury were \$146,393,000 and there was a balanced budget. In 1979, revenues of \$350 million and there was a balanced budget. In 1980, revenues of \$396 million and there was a balanced budget. Similarly in 1981, revenues of \$482 million and there was a balanced budget, and by the end of the fiscal year, which ended in March of 1982, there was a surplus of \$140 million.

During your term the revenues were considerably higher. You had, for example, in 1982-83, revenues of \$770 million; in '83-84, \$760 million; '84-85, revenues of \$865 million; and '85-86, revenues of \$769 million, and you ran massive deficits — just the point that I'm making. You had considerably more oil revenue and you couldn't keep the house in order so that you could think about the future of the next generations of people who are going to live in Saskatchewan.

Just the point that I'm making. You had considerably more oil revenue and you couldn't keep the house in order so that you could think about the future of the next generations of people who are going to live in Saskatchewan. Are you prepared to dig for them a hold of a debt, which in the gross terms in \$10 billion that they have to face? That's \$10,000 for every man, woman and child in Saskatchewan; and I'm reading today that the federal debt is another \$10,000 for every man, woman and child in Saskatchewan. That's \$20,000 for every man, woman and child in this province, of debt because of your kind of administration.

Now, Mr. Minister, who could have done better? You could have done better because your talk about drilling more wells and pumping more oil didn't result in anything of benefit from the point of view of revenue to the treasury. Let me point out to you that in 1980 the production in millions of cubic metres was 9.3 millions of cubic metres, with a value of \$862 million, and the revenue to the province was \$483 million or 56 per cent. But by 1985 the production was in millions, 11.9 million cubic metres; the value had increased to 2,400 million; and your revenue was 655 million, only 27 per cent of the revenues. There is where you made the give-away which amounted to \$1 billion during your first term of

government which further led to a greater deficit which we now face, Mr. Minister.

Can you tell me: why were you not able to collect in revenues at least close to what was collected in percentage terms in 1980 and 1981 during the term when your administration was in power?

Hon. Mr. Lane: — The hon. member can't have it both ways — he can't complain about the oil royalties, and then say we're getting revenues which should have reduced the deficit. But I think that the hon. member has to look at the oil industry in total. Take a look at, for example, the recoverable reserves in the province of Saskatchewan have increased from 25 million barrels in 1981 to an estimated 65 million in 1987 — a significant increase for the province of Saskatchewan.

When we take a look — and the hon. member keeps talking about \$10 a barrel in 1981 — in fact, the price of oil was 17.65 a barrel. 17.65 in 1981; 1987, 19.18. Wells capable of producing in 1981, 11,072; 1987 it's forecasted 18,900. I would suggest that that's a 100 per cent increase. Oil field employment: 1981, 7,390; 1987, 10,250 — nearly 3,000 more people working.

Obviously through the course of that we've had sales tax benefits. We've had income tax benefits, corporate capital tax benefits and corporate income tax benefits. So, for the hon. member to compare and not include some of these substantive benefits to the people of Saskatchewan, I think is unfair. The production in 1981 was 46.5 million barrels, and in 1987 estimated 75.8 million barrels — a significant increase. So I suggest to the hon. member that for you to exclude these substantive benefits I don't think is giving the total picture.

Hon. Mr. Blakeney: — Mr. Chairman, and Mr. Minister, I just want to ask the minister whether he thinks comparisons based upon 1981 are fair comparisons. Would he not compare 1980 or 1979?

Everybody who knows anything about the oil industry in this province knows that in 1981 the two western provinces were locked in a war with the federal government; that production of oil in Alberta was well down; that there was — some people will remember — actually wells were shut in in a major way in Alberta. There was a good deal less production than there was in 1980 and 1979.

And while the minister may well wish to make his point, I think in fairness to the committee, it would be helpful if he would not select a very atypical year like 1981, when there were wells shut in massively in Alberta. We may well remember that. Less so in Saskatchewan, but significant wells were shut in because ... (inaudible interjection) ...

If the member for Weyburn isn't aware of this, or won't even acknowledge it, then I would like him to enter the debate. But I ... (inaudible interjection) ... I beg your pardon? I thought the member would not wish to repeat that so that I could repeat it.

And I wonder whether, because of the particular political

circumstances, the minister would use 1980 or 1979. In some ways they would be . . . the comparisons would be the same, but with respect to production they would be unquestionably higher in 1980 than they were in '81. And the drilling would be unquestionably higher in '80 than it was in '81.

Hon. Mr. Lane: — In fairness to the hon. member, that '86-87 was not an atypical year either with a drop from \$30 a barrel down to \$10 a barrel. So I suggest that the figures that the hon. member from Regina North East gave did not reflect . . . did not reflect the benefits . . .

An Hon. Member: — Talk about 1985.

Hon. Mr. Lane: — . . . no, would have not reflected the benefits. he deliberately excluded some rather significant events in the oil industry.

And that is — and I don't think that the member from Regina Elphinstone would disagree — that there are substantially more wells being drilled over the last couple of years than even during the late 1970s under his administration, that the recoverable reserves in the known reserves have increased rather significantly.

And so I suggest that if we're talking about a total picture, I think it's fair to say the following: that the oil industry has been much more active under our administration; that the long-term benefits increasing the known reserves for the people of this province have . . . known reserves have increased significantly under our administration; and that if one looks at the tax regimes applicable to the oil industry under our administration and under the previous NDP administration . . . I have given you the figures that, in fact, there was a differential in revenue loss between the two programs of approximately \$10 million per year, that as a result of that differential, there was a great increase in oilfield activity for the benefit of the province in several other revenue sources.

(2015)

And finally, that the grant program that existed under the latter years of the NDP administration left a liability for the province of approximately \$300 million that had to be paid back to the oil industry. so I suggest to the hon. member, if you want to come down to basics, the province of Saskatchewan oil industry — and I think all of the people benefit because of that — is in far better shape today than it was in the past.

Mr. Tchorzewski: — The only people that aren't in better shape today are the taxpayers because the oil companies are doing so well, Mr. Minister.

Keep in mind that we're talking here about a non-renewable resource. it's a resource that you can develop and you can pump it out as fast as you can — and that's fair — but if you don't assure that you get for the taxpayers a fair share of those revenues, they're never going to get it, because you can't collect a tax or a royalty on something that's no longer there.

Your policies, although they may have assisted the general increase of activities — I'm not convinced of that,

it might have been there anyway — but although they may have assisted that, the general taxpayers of Saskatchewan have received no benefit. Tell the people of Hudson Bay what benefit they've got because of this great activity in the oil field . . . (inaudible interjection) . . .

Now the minister from Urban Affairs who speaks from his seat, all he can tell the citizens of Hudson Bay is that he's cut their revenue-sharing grant back this year by 1 per cent. Now that's hardly evidence of how much they're benefiting from this great development in the oil sector, Mr. Minister.

If you had been collecting these revenues which you're giving up, and your royalty holidays — three years for wells drilled now — even if the price of oil goes up to \$35 a barrel, they're going to get the holiday. If you were collecting a fair share of those revenues, you wouldn't have to shut down hospital beds which lead to waiting lists of 11,000 in the city of Saskatoon. You wouldn't have to destroy a children's dental plan which was the best of its kind in North America. You wouldn't have to be turning away hundreds of students from our universities, who can't get in because there's no more room for them.

That is the rub of the issue here, Mr. Minister. Your kind of economic policy and fiscal policy gets nothing for those taxpayers of Saskatchewan who live here and work here and are going to be here when the oil some day may be gone — not when you and I are alive. But surely we have some obligation to think about our children and their children and their children's children. How short-sighted can you be when you think only how well the oil industry can do and think so little about how much the general population of this province will get from that?

Now, Mr. Minister, it's this kind of bad decision making that has brought you to a situation where you had to say one year from the time when you said you had to say one year from the time when you said you were going to have a deficit of \$389 million — I'm sorry folks, but I've changed my mind, it's now \$1.235 billion. It's this kind of ludicrous policy and bad judgement and deliberate give-aways to friends of your political party that have caused this to happen.

Now, Mr. Minister, I'm going to leave that and I'm going to ask you something else because it's related. It's related to the whole question of management and providing the information we need to know and so public needs to know. It has been a practice over the years that the Minister of Finance publishes during the summer, in July, the Saskatchewan Economic and Financial Report. That has been done year after year after year. You did it every year from 1982 to 1986, but there hasn't been any for 1987.

I ask you, Mr. Minister: why has there not been, in 1987, the Saskatchewan economic and financial position which would let the public know where the province stands financially, what its debt is, what its net equity is? Can you explain that, please?

Hon. Mr. Lane: — Let me get onto the record a fair amount of evidence of how the NDP have served to not only distort but fail to understand the oil industry. We all heard the member from Saskatoon South that the price of

oil only averaged \$10 a barrel during their 10 years. Isn't that interesting that, that totally includes the years before OPEC began increasing the price, but when you start to take into account the last few years of the New Democratic administration that oil prices in 1979-80 as they kept rising 12.85, nearly \$13, '80-81, \$15.24?

As a matter of fact the actual for '86-87 of \$15.29 is 5 cents a barrel higher than the actual in 1981 — in the last year of the New Democratic government. And that's comparison without taking into account inflation. If that was inflation adjusted, I would suggest that we would be getting a lot closer to the 1975 values of 7.21.

So in relative terms, Mr. Speaker, the price the last few years has not been that much higher than the last few years of the New Democratic administration. And to make the argument that we are pumping it out as fast as you can ignores as well the fact that our oil conservation policy is one of the strongest in the country.

Secondly, what we are doing as fast as we can is we are discovering new reserves, Mr. Speaker, and because of our policy by expanding the known reserves of Saskatchewan oil, we are, in fact, enhancing the position of future generations of Saskatchewan people, Mr. Speaker, not just pumping it out. There's far more oil discovered today which is a legacy for future generations. To take the argument, as the NDP did with natural gas, that the best thing to do with the gas is sit on it, ignores . . .

An Hon. Member: — Manage it.

Hon. Mr. Lane: — No, sit on it. Sit on it is not managing it. I tell the hon. member that sitting on natural gas, sitting on natural gas is poor management.

Mr. Speaker, that was the policy of the New Democratic Party. They made long-term contracts with the province of Alberta to buy their gas while they sat on Saskatchewan gas. I suggest that that was bad management. As a matter of fact, Mr. Speaker, if the New Democratic Party and its administration had of . . . had incentives to go out and encourage the oil industry to discover new reserves of natural gas as we have done that, in fact, not only would the taxpayers have had some significant benefits during the late 1970s in lower natural gas prices, but, secondly, the known reserves would have increased dramatically.

So to argue that because there are incentives which turn out to be less costly than the New Democratic Party's, and the fact that we certainly are increasing production, in fairness, ignores and ignores completely the great increase in the known reserves that our programs have brought about.

I'm advised with regard to the financial report that the member ended his previous comments with, that there is a rebasing of the statistical basis which I gather is done from time to time and that has not been completed.

Mr. Tchorzewski: — Come on, Mr. Minister, that's silly, that's silly argument. You know very well that that report isn't there because you don't want certain information to be made public. Now every year that report has been there; it's been there in July.

Let me just tell you something about the report so that it's on the record.

The documents that I'm talking about normally report on the provinces, things like the province's net debt or its equity positions — and I have them here for 1986, July. It shows how on March of 1982, the one I have here, the province had positive equity of \$1 billion — positive \$1 billion equity. It also shows that by March of 1986 that equity had gone and was a debt now of \$645 million.

Now, Mr. Minister, that's mismanagement. That's what you have created; that's the legacy that you're going to leave behind. I want to know, Mr. Minister, because if that . . . since that document hasn't been tabled one cannot know. But you have your officials here and so you should be able to tell the committee: what is the figure for March 31, 1987 with regard to the net debt of the province of Saskatchewan? We know what it was for 1986. What was it for March 31, 1987?

Hon. Mr. Lane: — Well the net debt, the end of 1987, of course is going to be the amount estimated in the budget plus the increase in the deficit, and it's going to approximate \$1.900 billion.

(2030)

Mr. Tchorzewski: — Let's make this very clear. Mr. Minister, the net debt of the province in July . . . at March 31 of 1986 was \$645 million — \$645 million. You are telling the public of Saskatchewan here today that that net debt has, in one year, increased to \$1.900 billion? Is that what you're saying?

Hon. Mr. Lane: — Well if you could add, you add \$1.2 billion deficit, you're going to get that figure.

Mr. Shillington: — Thank you, Mr. Minister, I want to return to a subject which my colleague from Regina North East dealt with. I want to approach it from a slightly different fashion.

Mr. Minister, when questioned about the deficit, you whine and complain that it was your bad fortune to fall upon hard times. I want to suggest to you, Mr. Minister, that your budgetary problems have little to do with hard times and everything to do with your inability to control expenditures.

Mr. Minister, I refer you to a stirring address, not quite on a level with the Gettysburg Address or the Sermon on the Mount, but no doubt every bit as important. It's your own budget address of June, 1987.

On page 44 you gave the consumer price index for Canada for the years '82 to '86 inclusive. I invite you to calculate — it's a fairly easy thing to do if you have a calculator with a percentage item on it — calculate the percentage increase in the cost of living for the years '82 to '86 inclusive. You'll find, Mr. Minister, that comes to 32 per cent.

Now I invite you then, Mr. Minister, to refer to Public Accounts for the year March 31, 1982 and take the

statement of the province's revenue, which appears as it usually does, at the beginning of the book on page 8(a). For the year ended March 31, 1982 the province's budgetary revenue was 2.663 billion. Then, Mr. Minister, I invite you to take the revenue which you estimated for last year, which again appears on page 8 this time, and that comes to — for the last year — estimated, 3.358 billion.

Mr. Minister, if you subtract the revenue . . . If you calculate the percentage increase in the revenue from those same years — March 31, '82 to March 31, '87, you get a figure which is a little larger, but not much. It's almost exactly 32 per cent. What I'm suggesting to you, Mr. Minister, is that your revenues have kept pace with inflation. The difference is not material to the argument.

Then I invite you, Mr. Minister, to calculate the increase in the expenditures during the same period of time. The increase in expenditures are almost 50 per cent.

Mr. Minister, the cost of living increased by about 32 per cent. Your revenues increased by about the same, but your expenditures increased by 50 per cent. Mr. Minister, I wonder if you want me to go back and detail some of the expenditures which I think this province might well have done without. Your budgetary problems, Mr. Minister, have everything to do with your inability to management government, and nothing to do with having fallen on hard times. It's true you've fallen on hard times, but that's just beginning to bite now. Mr. Minister, you're going to get the full brunt of that in the years to come.

Over the past years your revenues about kept pace with the rate of inflation. The tragedy of it all is, as my colleagues have pointed out, Mr. Minister, that your revenues could have easily matched your expenditures if you hadn't made irresponsible tax cuts. So I ask you, Mr. Minister, if you don't agree that your own figures suggest that your budgetary problems have to do with your inability to control expenditures, and to the fact that your government fell on hard times.

Hon. Mr. Lane: — Well I've yet to find out where the hon. member is arguing that your revenues should exceed the CPI (consumer price index) increase, but that's a logical extension of what he said. But I find it surprising that the hon. member stands up for the first time and criticizes this government for increasing health expenditures some 63 per cent, which would be double the figures that he has used for the consumer price index, that he would be critical of increasing expenditures primarily to our farmers well in excess of the rate of inflation. That the expenditures on education increased over that five-year period well in excess of the rate of inflation.

If you are arguing — and I suggest the hon. member will be the first to argue it from the opposition benches — that our expenditures on health, education, and agriculture, for example, should be strictly limited to the rate of inflation, then I happen to disagree with the hon. member and this government disagrees with the hon. member.

To further state, recognizing that certainly expenditures have increased and they've been increasing far too

rapidly. And on the one hand, you criticize the budget for trying to control expenditures and cap expenditures and get people to recognize that there are limits; and then on the other hand, say that there should be more; and then turn around and criticize us because we're spending too much on health, agriculture, and education, is completely contradictory to every debate that's been going on in the House from the opposition benches this session. And I find it rather surprising that the hon. member, as the session winds down, is now doing a complete — I suppose we could it in politics, the Shillington flop — flip-flop, and that's a new term as to where he's coming from in this debate.

Mr. Chairman: Order. I'd ask the members not to use other members' names.

Mr. Shillington: — I anticipated, Mr. Minister, that you wouldn't want to deal with the argument as such, but you'd want to light it on something else.

Mr. Minister, the fact is that you're spending a smaller per cent of your budget on health now than you were in . . . than was the case in 1982 when you took office. Mr. Minister, you're spending less in absolute dollars on health — I'm sorry, on highways — than you were. You're spending a smaller percentage of that budget on education than you were in '82. Mr. Minister, your budgetary problems have to do with patronage, enormous waste, and some expenditure which I doubt that any other government would attempt . . . much less attempt to justify.

You have an advertising program, Mr. Minister, which is several times what it was when you took office and you were critical of our advertising budget the last year we were in office. Mr. Minister, you're spending a smaller percentage of that budget on health; you're spending a smaller percentage of that budget on education. Mr. Minister, you're spending less on highways than you were then. What you're spending more on is patronage — the highest salaries for executives and political assistants of any provincial government in Canada. The Premier's office which is bloated — there is no other word for it — with political hacks.

Mr. Minister, your budgetary problems, I say again, have nothing to do with hard times; have everything to do with your inability to control expenditures and your own wasteful management. Mr. Minister, it's not health that's brought you into this difficulty, and you couldn't persuade anybody in Saskatchewan it is. It's not education which has brought you to this difficulty, and you couldn't persuade anybody involved in education that it is. Mr. Minister, your problems have to do with patronage — waste and just a total inability to handle it, the expenditures of this government.

Some Hon. Members: Hear, hear!

Hon. Mr. Lane: — Well, let's just . . . I know the hon. member doesn't listen anyway, but I'll just give you a couple of examples of the composition of the combined funds expenditure and that is the percentage of that particular time to the total. In 1982, 3 per cent of the budget went to Agriculture. The last figure I have, 1986,

6.1 per cent — doubling, Mr. Speaker, in five years. Health in 1982 was 24.5 per cent of the budget; 1986, 29.4 per cent of the budget. So for you to sit and argue that they have been decreasing is simply not true.

Now certainly, when you're using 100 per cent for total expenditures if we raise health up and we raise education up and raise agriculture up, there will be offsetting reductions on the other side.

I don't think it takes a financial genius from the opposition, if you could ever find one, to figure that out. But I suggest to the hon. member that your statements . . . that the hon. member's statements — and you want to yell and scream when you find out that you've completely distorted the facts and misinterpreted the facts, your calculations were wrong, they were completely wrong.

Secondly, your calculations were inaccurate, and your premise that you started out with — your diatribe 10 minutes ago about the percentages, is totally wrong. And argue as you did that some expenditures were not keeping pace with inflation was wrong, completely wrong. So I suggest to the hon. member — now we can get into a debate as to whether more should be spent, less should be spent, but I think that the public is seeing tonight on the questions that you're trying to have it both ways; that on the one hand you want a whole bunch more expenditures for everything else, but you don't want to see any restraints and you don't want to see any revenue increases.

To make the spurious argument that everything was patronage, I don't believe in the history of this province that any government hit the patronage levels when we have it becoming the norm of practice that a member's family from the new Democratic Party gets automatically hired by the government — your seat mate.

Name me a Koskie in Saskatchewan that doesn't work for the provincial government. For Heaven's sake there has to be a genetic defect for someone to go out in the private sector in that family, for Heaven's sake. I find it surprising, Mr. Speaker, that you want to avoid talking about that situation, so I suggest to the hon. member that his premises were wrong, his calculations were wrong, and his argument's wrong.

Mr. Shillington: — Mr. Minister, I suggest to you that the percentage expended on health in this year is less than it was in your first year in office. You're not spending more on health, you're spending less, Mr. Minister. I ask you to figure it out.

(2045)

Hon. Mr. Lane: — The hon. member — it's 32 per cent — the hon. member did not include in his calculations the capital expenditures which are now under the property management Crown.

Ms. Simard: — Thank you, Mr. Chairman. Mr. Minister, prior to the election, there was an estimate that the Saskatchewan Pension Plan would cost \$5 million. And after the election, we noticed that the actual cost was more in the vicinity of 10 to \$11 million. Another

example of an underestimation of the cost in a pre-election period.

In 1987-88 I notice that the budget provides 15.7 million for the plan, but there have been statements made by individuals who are involved with the plan in your department to the effect that \$24 million a year would be required if 100,000 people contributed to the plan — 24 million. Now we note that there is only 30, 200 people who have entered the plan and yet you've budgeted for 15.7 million. And I'm wondering how you explain that.

Hon. Mr. Lane: — With respect to your initial comments, when we did the 5 million, it was made abundantly clear that that was budgeted for. We did not know what the take-up was when we did that. We're approximately \$10 million in expenditures, the take-up for that is again approximately 30,000.

We are anticipating next year an increase . . . about 34,000. We are expecting next year an increase and are budgeting for an increase of a further 15,000 people. The estimate is based on a view that there was some confusion in the first year as to the tax deductibility of contributions, which we view may have constrained some people from joining the plan. So our estimate with the material and the familiarity with the plan that is increasing, that we would increase the number of participants in the plan by 15,000. That's how the number is arrived at.

Ms. Simard: — So the 24 million a year estimate if 100,000 people contributed to the plan is not an accurate estimate? I assume that when you talk about 15.7 million for 31, 700 or 45,000, if you're adding 15,000 to it, that the former figure I stated is not an accurate one?

Hon. Mr. Lane: — Well the estimates were simply given that if you had 100,000 people receiving the maximum government grant, it would approximate \$30 million. In fact, the average grant is coming in about \$260, and if you got 100,000 people at that, you would obviously be at about 26 million. So when we are giving those figures, I think they're . . . I don't think anyone expects them to be precise because you can't do it, but they are a range. As we get more into the use of the plan by the public and we get a far better track record of what the average contribution requiring a match would be, we will get more precise estimates.

Ms. Simard: — Mr. Minister, in 1986 when the plan was being established, the general manager for the plan was Mr. Crozier, and I understand the current general manager, according to the 1986 annual report, is Gary Benson. I'm wondering if you could tell us when Mr. Crozier left his duties and under what circumstances did he leave? And also, whether he received a termination pay package?

Hon. Mr. Lane: — Mr. Crozier and Mr. Benson are both seconded from departments: Mr. Benson from the comptrollers branch of Department of Finance; Mans Crozier has been a long-term public servant in Saskatchewan with Department of labour, pensions branch, and he's back in those traditional duties that he's carried out.

So there was no termination, no severance. They're on secondment, and we will be, when we get the board established, which I hope to have done by early in the new year at the latest, then I would expect the board to begin to look for a permanent general manager, chief executive officer, or whatever they're going to call it. But right now they're on secondment. I can't tell you what the circumstances were; it was just a change of officials.

Ms. Simard: — Thank you. Mr. Minister, I understand from the 1986 annual report that there are three cabinet ministers who are members on the board of trustees and I understand there are no other members at this time. However, in August of 1986, the Premier was stated as saying in a news release that:

At least one-third of the new board will have to be plan holders, reflecting the important involvement of the people of Saskatchewan in their own pension plan.

And that's a quote from the news report. So I'm wondering what the minister is intending to do to involve the plan holders and the people of Saskatchewan on the board of trustees of that plan.

Hon. Mr. Lane: — I've indicated that I would anticipate that we would have the board probably early in the new year. One of the things that I wanted to see . . . It is still our intention to carry out the statement indicated by the Premier.

I think when we get more people involved in the plan this year — and of course that carries over into January, February, because you have the 60-day period to pick it up — that there will be more people perhaps expressing interest in participating in the board who are plan holders. If we do increase by 15,000 participants, as we expect — we'll have a pretty good idea of that by, in all likelihood, the end of February — then obviously there'll be a broader base of people to choose from. So it's still our intention to carry out that directive of a third being plan participants on the board.

Ms. Simard: — Mr. Minister, with over 30,000 participants already, I would think that it would be fairly easy for you to find potential board members amongst those 30,000. So I would suggest that there isn't any further reason to delay looking into this matter and that it be looked into as soon as possible.

In the past members of your government, Mr. Minister, have stated that the introduction of the Saskatchewan Pension Plan will encourage other governments, including the federal government, to take action to include home-makers in their plans for pension reform. Now I wonder if the minister could tell us how much progress has been made in this regard, and at what stage are the discussion between the federal and provincial governments to expand the Canada Pension Plan to include home-makers and others that have been excluded.

Hon. Mr. Lane: — There is a home-makers report if it's not — my officials indicate that if it's not been out in the last week, we're expecting it in the not too distant future

— dealing with the Canada Pension Plan done by Health and Welfare Canada with the participation of the province of Saskatchewan.

Secondly, at least one other province — and I'm not at liberty to give the name — has indicated some very, very serious interest in the Saskatchewan pension Plan. We have had interest from other provinces, but one certainly has expressed some serious interest. I think as well that some of the province's position will become more firm once they have the national report on home-makers pension that I've just referred to.

Ms. Simard: — Will this report be available to us as well, Mr. Minister?

Hon. Mr. Lane: — I'm advised that it's being released publicly.

Ms. Simard: — Thank you. I'm wondering, Mr. Minister, whether the whole question of the deduction of Saskatchewan Pension Plan contributions from guaranteed income supplement, from the federal guaranteed income supplement, which has been a problem for us inasmuch as it's transferring the responsibility from the federal government to the province, I'm wondering whether that has been settled between you and the federal government or what steps you are taking to have that remedied.

Hon. Mr. Lane: — Ottawa has ruled that they will consider income from the Saskatchewan Pension Plan as income for guaranteed income supplement. We've expressed both strong disagreement and strong disappointment, and we're continuing our lobbying efforts to get that reconsidered. I don't . . . I'm not sure whether there's room for optimism in light of the federal report which is anticipated soon. That may or may not make reference to that consideration. At this stage, anyway, the federal government has said, no, that it will include it as income.

Ms. Simard: — Well that has been one of our criticisms, Mr. Minister, inasmuch as your government jumped the gun and hadn't had the matter looked into before you came forward with this plan. The fact of the matter is that means that people who are receiving guaranteed income supplement get their pension deducted from that and, therefore, the province is, in effect, paying for that when the federal government was before. And therefore that's a serious inadequacy, and we'd urge the government to continue to negotiate with the federal government to ensure that that's remedied.

The other question that causes some concern is the lack of portability of this plan. And I'm just wondering what arrangements the minister has made for a person who wishes to leave Saskatchewan, for example, and go to another province. What arrangements are there to take this pension with him or her?

Hon. Mr. Lane: — Well, first of all, with regard to the question of the guaranteed income supplement, we were quite aware of the possibilities when we devised the plan, and we very much tried to encourage the federal government right through development of the plan not to

include the pension in income.

So we share the concern of the hon. member, but to make the point that we have not . . . that we jumped the gun, I think is unfair in that we do believe fundamentally, even with that, that we should be encouraging people to have a pension plan and not just rely on a guaranteed income supplement.

Can you remind me of your second question?

(2100)

An Hon. Member: — Portability.

Hon. Mr. Lane: — We're not of the view that we're prepared to extend the grant aspect — the government matching grant — to people outside the province of Saskatchewan. I don't think you're making the argument that we should. If someone retires who has been a contributor to the plan and leaves the province, obviously they will get their pension no matter where they are. If they leave the province though and they are still eligible to contribute, they can't contribute. What has been built up in their fund will be paid to them when they retire.

We are prepared, and we have made it clear, that if other provinces establish a plan that can be compatible, that we would be more than pleased to enter into negotiations with a view to have an agreement as to portability. Obviously we can't . . . we wouldn't be supporting portability if it meant that it was a one-sided arrangement where by Saskatchewan people get a matching grant to certain levels and other provinces didn't. So it would have to be compatible. But we have made it clear on numerous occasions that if they are compatible, we would be very, very supportive of an arrangement to ensure portability.

Ms. Simard: — Mr. Minister, one of the major concerns that we have repeatedly raised during the debates on this plan is that the plan will not benefit those who need it the most because it's based on voluntary contributions, and many of them cannot afford to make those contributions.

For example, the non-working spouse of a wealthy doctor could afford to contribute to this plan the way it is currently set up, whereas a single mother working at minimum wage could not afford to contribute. And it's for this reason, Mr. Minister, that we have constantly stressed the need to take into consideration family income of the contributors to determine whether or not this plan is being used by low-income people.

And I'm pleased that the minister recognized the need to keep track of those figures some time in February. And he said that . . . I believe you said that your department was conducting a survey on the family income of people who were contributing to the plan, and I'm wondering if you'd have those figures available for us tonight.

Hon. Mr. Lane: — I am advised that the statistical analysis is not yet complete, but I can tell you the status of development — that the department is developing a family income model that "marries" tax filing spouses. This, to the best of our knowledge, is the first such effort in

this area by any provincial government, probably any government in Canada. So the work is at a preliminary stage.

The definition of family income does not and, in our view, cannot conform at this time with the statistical definition of family income. The major definitional deviation is the number of incomes contributing to family income. And at this time, our model is limited to the incomes of spouses.

Statistical definitions right now include incomes of other members of a family unit, for example, children living at home earning income or third adults such as parents-in-law, etc., who may contribute further incomes to the family income. So the present statistical definition does not work for the purposes of the question of family income for the Saskatchewan Pension Plan, which we would consider both spouses. But once the data is available on a more detailed basis, including such factors as age and sex, we will be more than pleased to provide this to the Assembly.

Ms. Simard: — Mr. Minister, it was February of this year that you said this information would be available in a few weeks. Now we're looking at the end of October, to be exact, and it's still not there. So I'm wondering what the delay is.

Hon. Mr. Lane: — Well the problem . . . we were optimistic because there were some definitions of family income before. But as we got into it — and we thought it was readily available — but as we got into it, as I indicated, the statistical problem is that family income for other purposes includes children who are earning income who would not be participants in the Saskatchewan Pension Plan, or other members of the family earning income. So to try and find a definition of family income which is narrowed to the two spouses for the purposes of the Saskatchewan Pension Plan, quite bluntly, turned out to be far more difficult than we had originally anticipated. So we're breaking new ground on this and that's the reason for the delay.

Ms. Simard: — Mr. Minister, why don't you just ask the people, when they apply to be a plan holder, what the family income is, and would that not give you the information that we require?

Hon. Mr. Lane: — No, because the plan is — and we've had this debate before — the plan is based on the individual contributor. So they don't necessarily have to, one, give the information, and we're not sure that we could get complete information that way either.

Ms. Simard: — Well, Mr. Minister, even though it's based on individual income, you could still ask for some information as to the total family income. And I suggest, Mr. Minister, that the reason why you're not asking for it is because you know that it is not . . . it is going to be in the higher areas. And you know very well that this plan is not meeting the needs of those people who are in the low-income area. And I would suggest to you, Mr. Minister, that that's the reason why we don't have this information tonight and that's the reason that you refuse to ask people what their family income is.

The other criticism we have made of this plan on a number of occasions is that it does not meet the needs of seniors today who are living in poverty. It does nothing to meet that problem at all, and yet we've seen it introduced into the province with a great deal of fanfare and with a great deal of back patting about what an innovative measure it is. But it does nothing for the immediate crisis. It does nothing for low-income people who are unable to contribute to the family even though those are the people who will need it more than anybody else 25 years from now.

I'm wondering, Mr. Minister, if you can tell me at this time whether any university students have taken advantage of this program because I understand that the former general manager had suggested that university students should be among those who take advantage of the proposal. Can you tell me whether you have any figures as to whether university students have taken advantage of the program?

Hon. Mr. Lane: — We don't have figures as to university students, but those under age 34 — approximately 15 per cent of the members to date — 5, 288 are in that age category.

To argue that the plan is no good for seniors, I think is an unfair one, because the plan was not designed to be a pension for people that were already retired. And we recognize that there are some serious problems with people who have already retired and don't have a pension, and we particularly acknowledge the serious problem of many single women who are seniors who have either no pension or an inadequate pension, and that is one of the reasons for the pension plan in the first place. At least the next generation of single female seniors will have had an opportunity to be in a better position.

And it's interesting to note that 53 per cent of the contributors today are between the ages of 50 and 65, and the majority of that 53 per cent — that 53 per cent of the total number, is . . . actually 53 per cent of the contributors in that category are also female. So that the women in the ages 50 to 65 who are seeing retirement or age 65 as something on the horizon, they recognize that there are some significant benefits to them to join the Saskatchewan Pension Plan.

We have not stood up and said it's perfect. It is not. But it is designed to encourage those, particularly women who don't have the opportunity to contribute to a pension, to have a pension plan of their own.

To take the argument — and we've debated it many times and the argument has been made public — that we should look at family income, I have serious concerns about that. If the argument that you should treat the income of the husband and wife as one for the purposes of the Saskatchewan Pension Plan, of course flies in the face of the argument of the equality of men and women because you are saying, in many cases, that one — and it's quite appropriate for one spouse to be the economic earner, and the other one . . . and that that person should pay for the non-working spouse — and that's the fundamental crux of the argument that you make when you say that we should use the family income.

And I think that the hon. member, having been in private law practice, knows that there are circumstances out there where there are people who have one income generator in the family, and let's take the traditional one of a husband who may be making a generous income who is not in any way making provision for his wife. And you know that that happens. And I would hate to see a situation develop where we ignore the realities that there are some out there not making provision for the home-maker, even if they have the income to do it. And they do have an option with the Saskatchewan Pension Plan.

Finally, keep in mind, to further encourage and enhance the position of people who are becoming seniors over 65, we did bring in the guaranteed minimum pension, which is a subsidy to the pension so that they would get some, I believe, significant benefit by participating in the plan and having more income, certainly than they would have had without the plan.

So to indicate that it does nothing, I don't think is fair. Does it encourage those who are aware of the difficulties of over 65? I think that the evidence to date of the contributors and their ages would indicate that they are aware of the benefits of the plan and they see it as a benefit to themselves.

(2115)

Ms. Simard: — Mr. Minister, what I was asking you tonight is whether or not you were keeping track of family income in order to determine whether this plan was meeting the needs of low-income people. And if people of wealthy families are able to contribute and people of low-income families aren't, then there should be some provision made in this plan so that people of low income are also able to contribute to the plan. And that's the point we wish to make with respect to family income.

But at this point I want to move to the Public Utilities Review Commission and point out once again, as we have in this Assembly before, that in 1982 this government made a promise that the Public Utilities Review Commission would be established for the purpose of monitoring the setting of utility rates, and that promise was broken in this House in 1987, just a few days ago, when the Public Utilities Review Commission was abolished. Notwithstanding the fact that your government talked about open government, it has now closed the doors on the people of Saskatchewan with respect to public input into the setting of utility rates in this province.

You indicated, I believe, that the cost of the Public Utilities Review Commission was approximately \$6 million and that this expenditure was too great. However, we have suggested that the main reason why the Public Utilities Review Commission was axed was because it became politically inexpedient for you to maintain the commission and to keep the commission going.

And in that regard we've discussed the severance of the commissioners and former Judge Boychuk, and I believe the total severance all together would be in excess of \$120,000 the taxpayers have paid to the former Judge Boychuk and the commissioners. I'm not saying that Judge

Boychuk, as an individual, is not entitled to the severance. The New Democratic Party opposition has always recognized Judge Boychuk's integrity and his long-time service to the people of the province of Saskatchewan. In fact, we had appointed him as Ombudsman; we'd appointed him as chief judge, for example, and also as chairman of the Wage and Price Control Board, I believe. So, you know, that's not the problem that we're talking about.

But when Mr. Boychuk's integrity, for example, became very apparent on the Public Utilities Review Commission because he refused to march to the government's tune, in spite of the fact that he was making decision that you felt were not popular, he went ahead and did what he thought was right. And even though we, personally, may not have agreed with some of his decisions, nevertheless, he stood by what he believed. And now he's being axed and of course being given a severance package.

Now I wonder, Mr. Minister, whether you can tell us whether you have reconsidered your position of a few days ago not to look at alternatives to allow for public input into the setting of utility rates, and whether you would be prepared to make the review of possible alternatives a priority of your government.

Hon. Mr. Lane: — Well the priorities have been stated. I would strongly suggest to the hon. member, an immediate priority that comes to my mind is farm debt and, quite frankly, that would be a much higher priority of this government than dealing with the Public Utilities Review Commission. I remind the hon. member that there was not great support from the New Democratic Party for a public utilities review commission during the course of it, and the public is fully aware of that. And I think they find it somewhat surprising of the change in position.

Finally, I've stated the position for the hon. member the other night in a previous debate on the matter of the Public utilities Review Commission. I would hope to find some options for public review that do not carry the cost that the Public Utilities Review Commission eventually carried as a result of increasing complexity of interventions; the increasing demand for technical expertise; the fact, as I've said before, that even the Consumers' Association of Canada, Saskatchewan Branch, had written to me concerned about the increasing complexity and the need for ever more costly expertise.

You complain about the severance for Judge Boychuk. I've given you the assurance that this was Judge Boychuk's option, that Judge Boychuk was paid and continued his position as a provincial court judge while he served as chairman of the Public Utilities Review commission. It was at his option that the arrangements were made so that he could receive his income until his retirement age. I gather he had personal reasons.

Secondly, he felt that it perhaps may not be appropriate for the judge to move back to the court after the Public Utilities Review Commission. The choice was his. So to argue or imply that there was something nefarious about

that, I think really does besmirch the integrity of Judge Boychuk who would not tolerate that. This was at his request, and I thought it was a not unfair position for us to honour the proposal put forward for Judge Boychuk. As you say, he has served the province admirably and the arrangements made were not unfair. They do reflect what, as the hon. member knows full well, provincial court judges are paid.

Ms. Simard: — Mr. Minister, we never said that the arrangement was unfair; that wasn't our statement, and you know that full well.

We were commenting on the fact that the . . . Mr. Boychuk had the integrity to follow through on his decisions with the Public Utilities Review Commission and that you disagreed with his decisions, and that's the reason why the commission was dismantled. And for you to say that farm debt is more important is just trivial, Mr. Minister, that's just trivial because I'm sure that you're capable of making more than one thing in this government a priority. But if you're only . . . If it's only possible for you to look at one thing at a time, then you shouldn't be on the other side of the House.

And with respect to the Public Utilities Review Commission and our position changing on it, that's simply not true because you know full well that the New Democratic Party voted for that Bill in the first instance, even though we were sceptical of whether or not the commission was the right forum or body in which to achieve the goal of public participation in setting utility rates. We voted against the abolition of the Public Utilities Review Commission because you failed to come forward with alternatives for achieving the goal of public participation. You failed to come forward with alternatives after making a promise to the public of Saskatchewan that there would be public input into setting utility rates. After making that promise and setting up the commission with a great deal of fanfare on your part, you broke that promise and you failed to come forward with any alternatives, and that's why we refuse to support you on abolishing the Public Utilities Review Commission.

Some Hon. Members: Hear, hear!

Hon. Mr. Lane: — Just in closing, to hear the hon. member say that the farm debt problem is trivial, let me tell the hon. member that the farm-debt problem of this province is a severe problem. And all you have to do is go out and talk to the farmers of this province. And to say that it's a trivial argument, to say that the priorities should be equal and they both should be dealt with, let me tell you that the priority of trying to deal with farm debt is a much higher priority than the Public Utilities Review Commission.

So I suggest to the hon. member, I suggest to the hon. member, to even imply, to even imply that the difficulties of public utility or review of Crown corporation utility rate increases is on the same level and is an equal priority with farm debt, I think, ignores, in no uncertain terms, a very, very serious problem out there.

Now we've had our differences on the Public Utilities

Review Commission. I think that the public certainly has a right to be critical of the provincial government for changing its position with regard to the Public Utilities Review Commission, just as they are as critical of you for having been critical of a Public Utilities Review Commission throughout the course of its operation, and then when it is dropped, that you come out in support. So to argue that you've been a model of consistency on the Public Utilities Review Commission is also not a fair position to take.

I accept the hon. member's arguments about the desirability of having some type of review mechanism. We debated some of the options that you raised the other night, and I believe on one or two I expressed some reservations that they were, in fact, workable. I did express as well, as I did in an earlier answer, my concerns about a review process which has the result of becoming as complex as PURC (Public Utilities Review Commission), and it has the effect of really being a benefit to the large interveners who could afford the expertise and the technical assistance that PURC did. If there were other ways, I personally would be quite prepared to look at them.

Ms. Simard: — Mr. Chairman, I've never seen such intellectual dishonesty in my life. The comments that the minister opposite made with respect to my statements on the farm debt are just ludicrous and totally untrue, and he knows it. And I tell you, Mr. Chairman, it taints everything that he said here tonight, and we can't believe a single thing he said because he's shown us tonight . . . he's show this Legislative Assembly that he is prepared to engage in intellectual dishonesty and twist our words on every single thing that we say.

Some Hon. Members: Hear, hear!

Hon. Mr. Blakeney: — Mr. Chairman, and Mr. Minister, my questions are on a narrow compass and they have to do with the corporation which you set up to handle money of pension funds, and I speak of SaskPen. And I'd like you to tell me what is happening to SaskPen?

I have a financial statement which is well nigh unbelievable. For the year end of December 31, 1983, which has a little note on it from the auditor saying that there were little subsequent events around here: saying that as of December 31, 1986 — and I'm not misstating myself — in the financial statement for 1983, the auditor is adding some notes as to what happened in 1987, indicating that the audit report for '83 was prepared in '87. That gives us some idea of how this minister is looking after our pension funds.

But quite apart from that, Mr. Minister, it seems to say that some bonds or debentures, which were issued in 1987, were redeemed retroactively. Now if that's true, that's a neat trick, and I'm not aware of ever having heard of that before.

An Hon. Member: — Live and learn.

Hon. Mr. Blakeney: — Well live and learn. If any member can give me one example that he knows about, of debentures being redeemed retroactively, let me join the

club. Tell me about it because it's new to me. It's new to me.

Now I am not so concerned about these remarkable finagling with figures which has characterized SaskPen; I'm worrying about what's happened to the money. It looks to me, Mr. Minister, as if about \$15 million of this pension fund money which used to be in some sort of debt instruments, in debentures, or loans, has somehow gone and has been replaced by shares. Shares in what, I don't know. Owned by whom, I don't know. Would the minister enlighten us on what has happened to this corporation?

We're talking about the pension money of a fair number of public servants. We have what I can only describe as fairly bizarre explanations by the auditor:

(2130)

Pursuant to a share subscription and bond redemption agreement dated December 31, 1986, the company redeemed and cancelled all bonds and notes, including those issued after December 31, 1986, (as I say, it's not a bad trick) in the aggregate amount of \$14 million (and) trust deeds are cancelled. The company has issued 15 million shares.

Can the minister give us some idea what he is doing with the pension money of these public servants? Because I think they're entitled to know what happened to the debentures, what happened to the debt, what happened to the bonds. Why were they cancelled? Why are they left only with shares? Because all of us, I think, I know that shares may or may not have the value that subscribe to them. A lot of people have found out lately that shares aren't quite the investment that some people suggested they might be.

Hon. Mr. Lane: — Just so the hon. member understands what SaskPen Properties' Ltd. is designed to do. Prior to 1982, Saskatchewan pension fund moneys had invested in a pension realty company called Pension Fund Realty. Okay? So, and that was a vehicle whereby pension funds, not only in Saskatchewan, held shares in a national company which was the vehicle to invest in, I gather, real property — the legitimate activity. I gather the decision to do the same type of vehicle within the province of Saskatchewan was SaskPen Properties, which was established for that.

So the shareholders of SaskPen Properties are seven Saskatchewan pension funds. They had acquired, as the hon. member knows — it was approved by treasury board back in 1981 — that the province pension funds acquire interest in the Bank of Montreal Building, Victoria Plaza West, Victoria Plaza East, Royal Bank, Woolworth's site, and Victoria Plaza Parkade, all in Saskatchewan. For, and I don't know the reasons, but those were acquired by debentures. Okay? And in 1986 as you say, at the recommendation of the Provincial Auditor, it was suggested that the structure be converted to a . . . it was a debt/equity swap so that those debentures were converted into shares owned by the seven pension funds. The ultimate question that is: are the shares — because

they are now shares as opposed to debentures — lessened in value? The advice is that they — the value on the properties — they have a valuation that's accepted by the Provincial Auditor, and I gather that came out in public accounts.

I don't know whether that is an explanation of the history of SaskPen properties and what its objectives are and why the conversion from debentures to shares, but the shares are held by the pension funds and those, I'm told, are still the only five properties that SaskPen properties has.

Hon. Mr. Blakeney: — Mr. Chairman, and Mr. Minister, I am confused and genuinely confused, the Debentures appear to — on these properties you refer to — appear to add up to something under \$3 million, \$2.7 million. Yet, we are talking about some \$15 million, or \$14.5 million. I don't . . . Are you telling . . . Is it your position that SaskPen properties has an investment of \$14.5 million in these five properties?

Hon. Mr. Lane: — There were debentures that had been redeemed earlier on these to invest further in the construction, I gather, of the Bank of Montreal tower in Regina.

Hon. Mr. Blakeney: — I don't think I'm with you now. Are you saying that the . . . (inaudible interjection) . . . Well the member from Regina South, I know, will elucidate this point since I'm sure it's right on the end of his tongue to explain just how these debentures were dealt with in the construction process and how they were rolled into shares, but I'll take it from the minister, if I may.

Are you saying, Mr. Minister, that the entire \$14.5 million of the money from these pension funds is in these — basically in the two buildings: the Bank of Montreal building and what is called the Victoria Plaza West?

Hon. Mr. Lane: — Yes, it's essentially in the . . . I gather two buildings that were constructed is the Victoria Plaza West plus the Bank of Montreal; and then the old Royal Bank property in Regina is still a vacant lot as the hon. member knows.

Hon. Mr. Blakeney: — Finally, why did you go to the share mode? What was wrong with the debentures? Is it that they simply didn't pay?

I noted that they were supposed to pay 3 per cent and be participating in profits, and all of a sudden they're gone. And they at least give some sort of a mortgage, on presumably . . . I suppose that's what the trust deed was all about. Now I take it there is no mortgage; if we have shares, it's unlikely to be the case. Is it true now that the pension fund doesn't have any mortgage on the buildings but is only participating in the profits or losses of operating the five properties including the two main buildings?

Hon. Mr. Lane: — I'm advised that simply what happened is that they moved from a very complex trust deed action, which I gather set out in complex terms the arrangement of the various pension plans on each property so they could vary from property to property, the interest, I'm advised that it was an extremely complex

way to go and that the share structure was a much more simplified approach that the Provincial Auditor had urged in which the officials had . . . were supportive of. But it was really to go from an extremely complex to a simplified straightforward system.

Hon. Mr. Blakeney: — Mr. Chairman, and Mr. Minister, I won't prolong this. I'm sure that the right to have . . . to get interest has got more complicated as you had before and you give that up and get a share. I'm sure a mortgage is a complicated thing so you can give it up and get shares, but I'm not at all sure that anybody whose pension is at stake is worried about how complicated it is. He'd like to know that he has some security, and I suspect he hasn't as much.

Some Hon. Members: Hear, hear!

Hon. Mr. Lane: — Just to advise that I'm told that each trust deed had a separate accounting pool, and again, I'm not standing up here disagreeing with what you've said, but I gather that it was inordinately complex as it developed and as the development of the properties progressed that ultimately this was a far more stable and straightforward arrangement.

Some Hon. Members: Hear, hear!

Mr. Solomon: — Thank you, Mr. Chairman. I wanted to . . . I'd like to just make some observations and ask the minister some questions, if I could, Mr. Chairman.

Throughout the course of the day, we have seen members on this side of the House confirm what has been put forward as a case of mismanagement and miscalculations and patronage and incompetence of this government time after time. We have seen that the case put forward in terms of the deficit where the minister has forecast or estimated a deficit that has been out by 200 per cent. We have seen the case put forward of countless individuals who have been appointed by this government to high-paying patronage positions. We have seen example after example of incompetence, and we have seen in almost every case that this minister and this government has been involved in with respect to promises, we've seen those promises be broken.

And I'd like to just say to the minister, and remind the chairman and members of this House, that there is a real question of credibility here with respect to the minister and with respect to the Conservative Party. They have made commitments time after time, and on every occasion they have broken those commitments.

They have indicated time after time and in election campaigns, and the minister himself even went back to 1982, Mr. Chairman, and I'd like to do so as well. Because in 1982 the Conservative Party of this province made commitments, and I have some examples of the literature they put out during the course of that election campaign. They made commitments to reduce a number of taxes, and we see in this budget not a fulfilling of those promises, but we see, Mr. Chairman, a real good example of what Conservatives are all about.

In the example of the Premier and his literature, Mr.

Chairman, he has promised to reduce the E & H tax and eliminate it to zero per cent and 5 per cent — the Premier, the member from Estevan. And in this budget, Mr. Chairman, we have seen the sales tax not be eliminated, but we've seen a 40 per cent increase, and we are now subjected to one of the most massive tax grabs in the history of this province.

We have seen member after member, the member from Kelsey-Tisdale, who is a member of cabinet, make commitments to produce a 10 per cent reduction in personal income tax. In this budget, Mr. Chairman, we have seen not a 10 per cent reduction in personal income tax but, in fact, a 28 per cent increase with the implementation of the flat tax.

And we have seen, as well, Mr. Chairman, candidate after candidate, cabinet minister after cabinet minister, including the member from Kindersley, make commitments about eliminating the gasoline tax. He promised, as well as every other Conservative candidate and every other Conservative cabinet minister in this House, to eliminate the gasoline tax. In May of 1982 the Premier was up in front of this Legislative Building, when he eliminated the gasoline tax, and he said as long as there is a Conservative government in this province there will never be another gas tax reimposed.

And what do we see from this Minister of Finance in this Conservative government but a gas tax that is not only reimposed but increased from 6 cents a litre to 7 cents a litre, from 28 cents a gallon to 32 cents a gallon. Is that a government or a party that the people of this province can rely on to be telling the truth, either in this budget or any other statement they've made in this House today or any day previous? Is that a basis for telling the truth? Is that a basis for providing some credibility and some leadership in this province? Mr. Chairman, I think there's a real lack of credibility.

(2145)

We see another cabinet minister from the constituency of Maple Creek. She's made a number of commitments as well — a 10 per cent reduction in personal income tax. And what have we seen? In piece of literature after literature that the Conservatives put out, Mr. Chairman, whether it's the member from Melfort who's now a cabinet minister, or the member from Melville who's now a cabinet minister, or the member from Regina South who's a cabinet minister, or the member from Rosetown-Elrose who's a cabinet minister, or the member from Swift Current who's a cabinet minister.

In Conservative candidate, Conservative cabinet minister after Conservative cabinet minister, they have made promises in writing, verbally, with respect to reducing taxes in this province of all nature and all kinds. And we have seen this budget a betrayal, a double-cross, to the people of this province that is unprecedented in politics, never mind in this province. I think it's a glaring example of their dishonesty.

We even have the Minister of Finance signing a guarantee, signing a guarantee that:

The Progressive Conservative Party of Saskatchewan is committed to continue the medicare system in our province, and that we reject any form of deterrent fees or health insurance premiums, and that we will abolish the unfair deterrent fees of prescription drugs.

This is in writing from the Minister of Finance, who, a few moments earlier, got up and quoted, and I quote him, "We expect the meet the deficit target," he says. Well who knows? I don't know if he's telling the truth. Everything he's signed, everything he's said verbally in election campaigns, he's done the opposite. He's betrayed his word. He's not a man in terms of keeping his word. A man's word is his bond. This minister and this government get up there and mislead people on every statement. They always do the opposite when it comes to making election promises. And, Mr. Speaker, I think it's disgusting what this government has done.

Some Hon. Members: Hear, hear!

Mr. Solomon: — Conservative after Conservative in this province and in this country — you've stated this yourself on occasion — they say, and they all say in this province and this country that if we become government, there's going to be less red tape, that we should do away with all this government bureaucracy and have less red tape.

With the gas tax, Mr. Chairman, and Mr. Minister, we have the most incredible example of red tape proliferation, the most bureaucratic red tape nightmare in this history of red tape. I don't think they have red tape like this in Russia.

What he's done with this gas tax, Mr. Chairman, because he has now involved 641,000 licensed vehicle operators to save gas receipts, if each one of them purchased gas once a week during the course of a year, they will save 34 million receipts.

On top of that he's asked the gas retailers to issue these receipts and create more red tape and more bureaucracy for them. With regard to propane, he has now levied a tax on propane, and it's such a ludicrous tax that he's now indicated that with respect to propane he's levying a tax even on the non-taxable portion of propane. He's setting a precedent that is unheard of in this country.

And I guess I could go on and on and on about the promises that this member and this government have made, Mr. Chairman, but time is running nigh; it's getting rather late. So what I would like to do is ask the minister what he plans to do, in view of his lack of credibility, in view of the promise never to reimpose the gas tax and the promise to reduce taxes that he's increased in a dramatic fashion, and the fact that he's signed a guarantee that is not worth the paper it's written on, can the minister tell us in this House today what is happening with respect to this bureaucratic nightmare of gas tax receipts? Can you please enlighten the House and the members on this side of the House what you see and how you see this gas tax operating?

Hon. Mr. Lane: — The public, of course, has heard the debate several times over the last 100-and-some days.

And the public, of course, as a result of that debate, is becoming increasingly aware that: one, not only was the gas tax in the form that it was imposed with the rebate for the average Saskatchewan citizen necessary in these economic times, but secondly, that the average taxpayer will be exempt from the tax providing they keep their rebates. And the only way to bring in a program which gave that type of benefit so that the business community paid the tax was to have the rebate program.

It would be impossible to have two rates at the same pump. Finally the public has increasingly become aware that even at 7 cents a litre, that's considerably less than it would be if the hon. member was maintaining his sliding scale gas tax that was on prior to 1982.

Having said that, we've said and we've indicated in the House on numerous occasions that the administration is proposed as follows: that early spring, late winter, a letter will go out to Saskatchewan taxpayers with an application form with instructions how to complete it, obviously, include their receipts. They will be asked to indicate whether they want to keep their receipts or whether they don't. Then we propose to have a fair deadline when they have to have their receipts in, and we then propose to use summer students to process the application forms and issue the rebates over the course of the summer.

Mr. Solomon: — Mr. Minister, you've indicated that they'll be sent a letter, or at least the licensed vehicle operators will be sent a letter requesting that, or asking them if they will be keeping their receipts or not. What do you mean by that? That they'll be able to send in photocopies of their receipts, or that the receipts will be returned?

Hon. Mr. Lane: — The receipts would be returned whether they wanted their receipts returned or not.

Mr. Solomon: — How do you plan to process 34 million gas receipts?

Hon. Mr. Lane: — Well, it's . . . we don't see it as a big a problem as you're interpreting. I mean, the claims that come forward . . . If we get a claim from an average driver that is for \$5,000 worth of gas receipts, you can rest assured that that claim will be looked at in considerable detail.

I mean, we have a fair idea and we'll have a rough calculation of what the average person driving an average number of miles or kilometres in a year would use. I think that those that go above the average, significantly, will quite quickly be identified and reviewed. So, in most cases, we believe that the people of Saskatchewan will submit a complete and honest claim form with the amount and we don't expect any great problems. And we don't expect to see problems identifying those that are quite above . . . or above the norm.

Mr. Solomon: — I'd be interested to know, Mr. Minister, who's idea it was to implement this bureaucratic plan? Question one. Question two: in the budget documents you indicate that about one-third of the tax rebate will not be claimed but will be retained by the government. Could

you explain why that is so? And I'll ask some more questions later.

Hon. Mr. Lane: — Well that's . . . you're not correct, it's not in the budget. The pay-out doesn't come until '88-89.

Mr. Solomon: — I'm sorry I didn't hear the last . . . You said it wasn't in the budget, but . . .

Hon. Mr. Lane: — The pay-out doesn't come until '88-89.

Mr. Solomon: — Okay. So what is your best estimate of your officials as to how much will be retained? Is it 20 per cent, 40 per cent, or a third, or what?

Hon. Mr. Lane: — We estimate it could be between 65 and 75 per cent will be submitting receipts.

Mr. Solomon: — Is there any internal decision made at this point as to what the revenues from the gas tax will be used for? If the minister recalls, the gas tax in the past was used for the maintenance and improvement of our highway system.

Hon. Mr. Lane: — No, the hon. member is wrong again. It's never been targeted; it wasn't targeted when you had the gas tax on; it was not targeted to any specific purpose like highways. It was put into the Consolidated Fund for general expenditures and that's what will happen with the revenues.

Mr. Solomon: — Well I think that the minister here is playing some very cruel and costly politics with the people of this province with all of the taxes you've levied in this budget, not just the gas tax but the flat tax and the E & H tax increase and the 11 per cent increase in hidden taxes with respect to licences and in particular with . . . when it comes down to transferring the burden of the deficit and the mismanagement.

We have seen very clearly, Minister, that with the gas tax that urban and other and rural transportation systems will be forced to pay the gas tax. Therefore, the users of the systems will be forced to pay which, in effect, is another tax increase on those people who don't drive, for the most part, or don't use the highway system with their own vehicles.

So here we see, Mr. Minister, a tax, another tax increase for the very families in many cases who don't have automobiles, who don't receive tax breaks, but in effect are subsidizing your operation and your deficit when perhaps you should be looking at individuals and corporations that have the assets and the income to be . . . getting it from them and which would make it a fairer tax system. What do you have to say about that?

Hon. Mr. Lane: — Well I'm a little surprised at your comment, because it's the business community, by and large, that will be paying the gasoline tax. They will pay the bulk of it. They don't get an exemption. And so to suggest that they're not paying their fair share, I think is wrong — that one of the reasons for the rebate system is so that the business community in fact pays the tax. They will be the major payers of the tax.

I grant you that there has been some increases with regard to primarily urban transportation systems. We should keep in mind that not every urban government in the province has a transportation system, so it's not something that is in fact being paid by everyone in the province because of urban transportation.

Secondly, I'm advised that at least some of the urban governments that have urban transportation systems are looking at other ways to manage their urban transportation and save funds, perhaps to offset, at least in part, the cost of the gasoline tax.

Mr. Solomon: — Well you're just confirming what I've said, Mr. Minister. If businesses are going to be paying this, where do you think they're going to get the money from? They're obviously going to get the money from people who subscribe to services in those businesses.

But you're missing the point. We have two, three major . . . four major centres in this province that have transportation systems. The people that use them, use them because they don't have access to automobiles, or they use them because they believe that's the best system available to them. And what we're seeing here is you're passing on tax increases to the municipalities like Saskatoon and Regina, which will mean, over the course of a 12-month period, for each city between 1 and \$1.2 million extra they have to spend.

(2200)

And where do you think they're going to pass that on? And all you do, after you pass on this increase to the municipalities, is you stand up in this House, with little credibility that you have, and criticize these urban municipalities for raising their taxes because they've got to meet some of the expenses that they have. And you always charge mismanagement. What we have here is one of the largest examples of mismanagement, and a regular example that this government has been providing, that, I think, is unacceptable.

Are you prepared, as a minister, to consider providing the tax rebates for school boards who are also being hard hit in rural municipalities and urban municipalities, and for providing some additional transportation assistance to offset the tax increases for the centres that do have urban transportation systems?

Hon. Mr. Lane: — I was a little surprised to hear you accept my argument that business is paying the tax, but then you extended it and said, well that's unfair because they'll just pass it on to consumers, which is completely the opposite of the argument you made earlier that, you know, tax the oil companies — you made earlier — which would mean higher gas prices, back down . . . paid by the consumer. So I suggest to the hon. member that there is a rather surprising inconsistency in the argument.

With regard to the revenues, at least one urban government has indicated that they expect to see the ridership up as a result of the gas tax, which may enhance the revenues on urban transportation. Saskatoon had made it clear to us that when the gas tax was removed in

1982, there was a dramatic drop in ridership in the buses, and that they expect ridership to be up.

Thirdly, we're advised that the total cost to local governments of the tax is \$2.89 million. In other words, \$2.89 for every man, woman, and child in the province. Certainly an increase. I doubt that many would see that as a Draconian increase and an unbearable increase.

Mr. Solomon: — Which raises a good point, Mr. Minister, because the ultimate effect of your budget and all of your tax increases this year, means that every man, woman, and child in this province has been provided with a wonderful gift, compliments of the Conservative government, of a tax increase of \$250 each. For a family of four, that's a \$1,000 of increased provincial taxes in this fiscal year alone. You consider that a modest tax? What's your problem? Do you not understand how to work a calculator or do you not have any understanding with respect to how families are struggling now in this economy that's very tight?

You talked about what a terrific job you've been doing in this budget in your budget speech. I have here some economic indicators, in terms of jobs, as a result of your wonderful management. Saskatchewan has lost 2,000 jobs in the past year, while Manitoba's gained 4,000 and Alberta's gained 12,000. With respect to inflation, Saskatchewan has the highest inflation rate in all of Canada. We have, on a regular basis in this year as well, a dramatic increase in bankruptcies, both farm, business, and personal. And, on top of that, we have the lowest number of housing starts, in terms of increase over last year, in all of the land. Whose responsibilities are these . . . is this economy? You and the Premier obviously divorce yourselves from that responsibility. but if you're not responsible for this wonderful performance, can you tell us tonight who is?

Hon. Mr. Lane: — Well I could rehash the old debates for some considerable period of time. We have indicated what our budget revenues would be, what the tax increases would be. but the hon. member . . . and I think the public is increasingly recognizing the difficulty, and I'm sure the hon. member knows this, that they can't have it both ways. That . . . can't on one hand argue that we shouldn't have a deficit and, you know, without dealing with some tax increases. So to suggest that you can have it both ways is not realistic in today's society.

Again, I could back through page 55 of the budget speech as to the relative position of Saskatchewan people, and we've indicated on numerous occasions, the Saskatchewan people are still the second lowest taxed people in Canada, and again, Saskatchewan people are increasingly realizing that. So without reopening, to any great length, the debates we've had for a long period of time, I think I've responded to the hon. member.

Mr. Solomon: — Mr. Chairman, we could go on with this debate for a long time, and I see that, as has been proven throughout the course of these last four months, that you've been beaten up so badly in the debate that I think I'll resist the temptation to inflict further injury.

So, Mr. Chairman, with the minister's indulgence I'll ask

him some questions about the fuel tax on propane. I have here an information bulletin. And I raised this with the Deputy Premier in question period the other day in your absence, but he took notice and said you'd respond. So I may as well raise it now. This information bulletin was sent to all propane retailers in the province, and it's regarding the 7-cent-per-litre fuel tax. I'll just read a portion of it here:

In order to address the concerns raised by several propane dealers and to ensure that the 7 cents per litre fuel tax on taxable propane is collected in a fair and consistent manner, the following changes will apply.

A fair and consistent manner. Now that's the goofiest statement that you've made, or at least that this bulletin has reflected from the minister's department, today.

Now I haven't read others in the last few days but there are others. The reason I say "fair and consistent manner" is goofy, because it goes on to explain how the propane retailers who used to pay fuel tax once a month on the taxable propane that they sold, now have to pay — if they purchase propane three or four times a week — a tax on the gross purchase, both taxable and non-taxable portion of the propane. Now is that fair and consistent?

It sounds as bureaucratic as the gas tax for individuals and for businesses. They're laughing at you. And they would be laughing at you at your face if you'd answer your calls, except they're so darned angry with more red tape that they have to look after.

Now, I was wondering if the minister could comment on that, and why his department has undertaken to write this letter, this memorandum saying it's a fair and consistent way to do it when it's such a goofy plan.

Hon. Mr. Lane: — Well if it's so goofy, then the hon. member can tell us why it was approved by the Saskatchewan committee of the Propane Gas Association of Canada. We had several meetings with them and it was at . . . with their concurrence that this was proposed.

What was happening prior to the November 1 date was that retail propane dealers were allowed to purchase propane tax-free and remit the tax collected on their taxable sales. However, several dealers complained that some of their competitors were not collecting the tax in an consistent manner. So that this arrangement was made in conjunction with the Saskatchewan committee of the Propane Gas Association of Canada, and they've supported the changes in discussion with our officials.

Secondly, just to indicate that the local retailer should not have difficulties — and probably is in the position of bulk dealers — the Saskatchewan committee of the Propane Gas Association of Canada have advised us that retail propane dealers have 30-day credit terms. Therefore, even if a retail propane dealer sells some propane for tax-free purposes, he is not out of pocket because he can claim a credit from his wholesale supplier.

So for you to make the statements, it's contrary to the position of the propane gas association that worked this

out in conjunction with my officials.

Mr. Solomon: — Well, I'd like to know who the Canadian association of propane dealers represents. It obviously doesn't represent some of the small retailers in this province that I've talked to about this. Because the memo also goes on to say, that — I mean there's a number of inconsistencies — but farmers may purchase propane tax-free from a card lock or key lock if he purchases it in quantities of 200 litres or more.

Well if anybody in your department there had ever purchased propane at a key lock, they will know that if you're a farmer or otherwise, you can't tell how much you purchase because there's no running dial on there that he can see. So what's he going to do? He doesn't get billed; he gets billed on a monthly basis. So I think that's kind of ludicrous.

I have a bit of a problem with this, Mr. Minister. The propane dealers in this city and the propane dealers in places like Kindersley and Melfort are really concerned about the red tape that you have generated with this memo. And I would like to know how your commitment to less bureaucracy and less red tape is reflected in a memo like this.

Hon. Mr. Lane: — Well I can repeat what I said earlier, that this was done with the concurrence of the Saskatchewan committee of the propane Gas Association of Canada, and done in concurrence with them and my officials.

You ask who they represent. We're not sure we have the full list, but it's ICG (Intercity Gas Corporation); the Federated Co-op; Superior gas and Calgary gas, who I gather are virtually all of the main suppliers of gas to the retail in the province. So that, you know, they're the main suppliers. They agreed to this, and they advise us that with the 30-day terms that the retailers have, that they shouldn't be out of pocket.

Mr. Rolfes: — Thank you, Mr. Chairman. Mr. Chairman, before I turn to the Provincial Auditor, I just want to spend one minute, if I may, on the Department of Health, just to draw the Finance minister's attention to a few things.

If the minister would turn to page 47 of the Estimates, I want to run through it very quickly. He will note on item 19, payments to the Saskatchewan Property Management Corporation, \$10, 716, 700. That was not in the Department of Health in 1982.

I want the minister to turn to page 48, item 24, grants to hospitals. Part of that was not in the Department of Health budget in 1982.

I want him to turn to page 49, grants and allowances for ambulance services, almost \$7 million. That was not in the Department of Health in 1982.

I want him to turn to item 31, grants and allowances for special care services, \$190 million. That was not in the Department of Health in 1982.

Item 32, grants to special care facilities — part of that was not in the Department of Health in 1982.

Number 50, number 50, members of the Executive Council, again, that was not in Department of Health in 1982.

Mr. Minister, this evening there might be others, but those are the ones I very quickly checked, and that amounts to well over \$210 million — about 20 per cent of your health care budget for this year that was not in the Department of Health in 1982. So for you to say, Mr. Minister, that you increased the Health budget by 63 per cent from 1982 is not being very honest with the people of Saskatchewan.

(2215)

I would suggest to you that if you really wanted to have increased the Health budget, you should have looked into some other areas where you could have maybe increased it by another 500 million, and then you could have gone around and bragged that you had increased it by 100 per cent. That's the kind of dishonesty, Mr. Minister, that the people of Saskatchewan are becoming very critical of, and I think they expect more of their elected officials and particularly from the Minister of Finance.

These are notes that I have noted from the Estimates. Mr. Minister, you may want to respond later on. I want to turn now to the role of the auditor. I want to return to the role of the auditor, and very quickly, Mr. Minister . . .

Mr. Chairman: — Order. Order. Order. The Provincial Auditor isn't under this vote that we've got under consideration in the department of . . . on the main estimates. Provincial Auditor is on page 73 and it's . . .

Hon. Mr. Lane: — We'll do all under item 1 of Finance and then get the rest through, if that's all right with the chairman.

Mr. Chairman: — Is the minister asking leave of the House to go into the Provincial Auditor?

Leave granted.

Mr. Rolfes: — Mr. Chairman, thank you very much.

An Hon. Member: — Slow down.

Mr. Rolfes: — Well somebody said slow down. Fine, I got lots of time. I'll take a little more time then because I hadn't planned on going through all of this stuff, but if you want me to, great.

Mr. Minister, now that I have more time, I will slow down. Mr. Minister, the role of the Provincial auditor and his independence, I think is well written out for us in the Office of the Provincial Auditor of Saskatchewan's little booklet. And it states, Mr. Minister, the role of the provincial officer is this:

The Provincial Auditor has the sole responsibility to help the Legislative Assembly to hold the executive government accountable by reporting to the Assembly on matters relating to the quality

of the executive government's administration of public money.

Mr. Minister, what concerns me is what has happened in this province. And when I look at the auditor's report, and we have studied it in public accounts, is that you have interfered with the role of the Provincial Auditor and his independence by twofold — not by his salary, because that has been established in this Assembly, but you have interfered with the Provincial Auditor in substantially reducing his staff. His staff in 1982 were 72 people and this year it will be reduced to 49. And you have indicated, Mr. Minister, time and time again in this House, if the Provincial Auditor wishes to supervise and examine further the work of private auditors, well, he can do so. I say to the minister that that is not possible for him to do if you reduce his staff.

I want to ask the minister right now: do you not think that you are infringing on the role and the independence of the Provincial Auditor by substantially reducing the staff? Just . . . Would you comment on that for a few minutes?

Hon. Mr. Lane: — Well I don't have to comment on it for that long. I do not for one minute buy the argument that the use of the private sector auditors with the overriding supervision of the Provincial Auditor in any way lessens public accountability.

Secondly, the reason for the reduction in the Provincial Auditor's staff is because the Crown corporations now have the option to use private sector auditors.

Thirdly, as I had advised the Assembly before, the Provincial auditor had made it clear to the government that he would not participate in any restraint program or anything of that nature because he reported to the Legislative Assembly. We did finally ask for, and received, budget estimates from the Provincial Auditor. The Provincial Auditor submitted those based on the private sector auditors doing Crown corporations, and he had asked for, I believe, 3 million — this was his request, okay? — 3, 256, 200. The amount budgeted for is 3, 230,000, a difference of approximately \$25,000.

We do have some differences in terms of what we estimate space requirements are, but when I look at that differential between what he requested and what granted, I think that it's a very small amount. And he took into account things like severance and everything else in his amount.

Mr. Rolfes: — Mr. Minister, I want to just go on. The Provincial Auditor, we, when in public accounts, we looked at some statements that were four years old, and there was a debate between the Provincial comptroller and the Provincial Auditor. And you know when you look at stuff that's four years old, it really becomes irrelevant and no one really cares any longer.

Both the Provincial Comptroller and the Provincial Auditor agreed that six months after the fiscal year ends the reports should be ready. Does the minister agree that six months to, let's say, eight months is sufficient time for the reports to be ready, and to be made available to the

members of the Legislative Assembly?

Hon. Mr. Lane: — Well I suppose that would be the ideal, but realistically there are times when the auditors and officials in departments or Crown corporations are negotiating on perhaps valuation. We had the SaskPen Properties as to what would be the value. It's not uncommon for there to be differences. It's not uncommon for there to be differences in responses to management letters which may impact ultimately on the statements. So, sure, it would be an ideal if that could happen, but there are some very reasonable times where delays are not because of inability to do the work, they're an honest difference of opinion between officials.

Mr. Rolfes: — Mr. Minister, in response to the member from Arm River, the Provincial Auditor made the following comment:

Government auditors would have to work 12 hours a day, seven days a week to produce their report on time because of budget cut-backs, says Provincial auditor, W. G. Lutz. He said, "Reduced funding for my office results in reducing the accountability of the executive government."

And then he goes on to say where he had 72 staff in '82; his work-load has increased. I know it's going to be reduced because you're going to appoint private auditors.

The point that the Provincial Auditor wanted to make, Mr. Minister, was not the fact that there may be debates and differences of opinion, but simply that he doesn't have the staff to do his work adequately and getting the reports in on time.

And I say to you, Mr. Minister, it is incumbent upon you to provide the staff that is necessary so that the role and the independence of the auditor is not interfered with. And I ask you again, Mr. Minister, do you not feel that you should re-examine — maybe not for this year, it may be too late — but certainly for next year in the up coming budget, making certain that the staff is adequate for the Provincial Auditor so that he can do the job that is expect of him?

Hon. Mr. Lane: — Well first of all, we provide money, not staff. To the hon. member, the Provincial Auditor hires the staff and the numbers; we provide the money. I did indicate to you that we were within approximately \$25,000 of his request on a \$3.2 billion budget. That was his request, and his request included things like severance and out-placement services, actually we're, in fairness I think, virtually on with the Provincial Auditor's request, and again, what he does with the money, he does the hiring and the placement of his staff.

Mr. Rolfes: — Mr. Minister, I want to ask you very quickly: does the minister agree that we should start moving towards summary financial statements? There are three provinces who are now doing it: Prince Edward Island, I believe, Alberta, and British Columbia.

Right now, Mr. Minister, you know that it is very difficult for members to have a knowledgeable look at the books

of the government and know what is owing and what is owed, and I'm just . . . It's very difficult for one to know that, but if there was a summary statement, it would be much easier. Are you moving towards providing summary financial statements in the very near future?

Hon. Mr. Lane: — All right. I gather that the treasury board is looking at that. There is a study by Dr. Hopkins. I haven't see that yet, but I haven't . . . I don't have any position on it at this time, but I'll wait and see how treasury board . . . And if I get a chance to look at the Hopkins report, I'll take a look at it then.

Mr. Rolfes: — One last question, Mr. Minister. Would you make the Hopkins report available to us so that we could study it with you?

Hon. Mr. Lane: — No, it's a policy paper.

Mr. Tchorzewski: — Mr. Minister, I'm prepared to wrap this up very soon. I'm going to ask you a few questions to which you don't have to give me the answer now as long as you give me an assurance that you will provide them to me expeditiously, and I don't mean that by 1988, but within the next week or so.

I would like, first of all, to ask if you will provide for me — because you are in the process of appointing private auditors to audit the books of certain Crown corporations — and I would like you to give to the committee, without any other information, how much the fee is going to be; how much you're going to pay; what each Crown corporation is going to pay. And I'd like you to give this to me for the Crown investments corporation, SPC, Sask Power, Saskatchewan Telecommunications, Saskatchewan Computer Utility Corporation, Saskatchewan Water Corporation, Saskatchewan Government Insurance, SEDCO, Saskatchewan Transportation Company, Agricultural Development Corporation and the Saskatchewan Property Management Corporation. I'm not interested in what . I'll ask you another day whether you tendered them and all that important stuff. But if you will undertake to give me the cost that each of those is going to pay for the auditor, I will not pursue it further today and I'll wait for you to give me that information.

Hon. Mr. Lane: — I will supply to the hon. member, and prepare to make it public, the list of the successful proposal for each of the Crown corporations, the proposal fee submitted, and a comparison with the Provincial Auditor's fees.

There had been a request that all proposals . . . The Provincial Auditor has asked for all proposals. We don't think that's fair to give the unsuccessful ones. If you want the policy behind the choice, overall, we did try and distribute the work. Secondly, where there were Crown corporations outside the large cities we did want some involvement of a local auditor so that the large urban chartered accountant firms didn't get all of the work.

So with those two policy considerations I will give you that information.

Mr. Tchorzewski: — Okay, thank you. I appreciate that,

Mr. Minister. Since you're going to be so gracious with that information, could you just give it for all of the Crowns? did you say that?

An Hon. Member: — That's what I said.

Mr. Tchorzewski: — Thank you very much.

I have another question which I wanted to ask you. In your budget on page 8 — and this one maybe you can give me the answer here today — you have income from privileges, licences and permits, lands, forest, game, fur, fisheries, and water — revenues 13.145 million. Is that figure the figure before you increased the fees, which you did recently, or will that figure change because you have now increased the fees?

Hon. Mr. Lane: — That includes the planned fee increases.

(2230)

Mr. Tchorzewski: — Thank you. What about motor vehicles? The \$73.5 million you will get in the revenues, is that the correct figure after you increased the registration fees and others?

Hon. Mr. Lane: — Yes.

Mr. Tchorzewski: — So that took that into consideration?

Hon. Mr. Lane: — Yes.

Mr. Tchorzewski: — Thank you. I would like to ask you something about revenues further, Sask Oil and Gas Corporation. Saskoil is now obviously, as we know, working differently than it used to be. How much revenues do you have in your budget from Sask Oil and Gas Corporation?

Hon. Mr. Lane: — We don't have anything other than what it would pay in royalties and taxes. If you're asking the question, is there anything in the budget as a result of the sale of shares, no, there is not.

Mr. Tchorzewski: — I'm asking because in days past Saskoil used to give from time to time rather reasonable dividends to the treasury. You are saying those dividends are no longer available.

Hon. Mr. Lane: — Of course any dividends go to Crown Management Board, and that's where they are held.

Mr. Tchorzewski: — Will there be some dividends to the Crown Management Board?

Hon. Mr. Lane: — Well as a result of it now being a private company that will be up to the directors of Saskoil.

Mr. Tchorzewski: — That's what I was afraid of.

Hon. Mr. Lane: — I hope so.

Mr. Tchorzewski: — I hope so too, but I am sceptical. But that just underlines again a bad decision where taxpayers used to be assured certain revenues and dividends from

Saskoil. They no longer can be assured that, and in fact likely will not be getting it.

Mr. Minister. let me ask you about PAPCO (Prince Albert Pulp Company). How much revenues do you have in this budget estimated to come from the Prince Albert Pulp Company, which is now the Weyerhaeuser corporation?

Hon. Mr. Lane: — We do expect dividends from Saskoil but they're obviously not in the budget for the reasons I've given. Secondly, we have nothing in the budget respecting revenues from Weyerhaeuser.

Mr. Tchorzewski: — Well, Mr. Minister, it is projected that Weyerhaeuser corporation will be making in 1987 a profit of \$50 million. I find it rather strange that now with this Tacoma, Washington company running PAPCO, though, we no longer have access to those kind of revenues other than the normal stumpage fees and taxes and so on. And I think that once again underlines your whole concept of so-called privatization and the impact it's going to have on Saskatchewan revenues.

Now those are the questions I wanted to ask, Mr. Minister. My colleague has a brief question which he wanted to address to you.

Hon. Mr. Lane: — Can I just respond to the hon. member on Weyerhaeuser? It is an income debenture. We are expecting a significant payment pursuant to the agreement from Weyerhaeuser that would be calculated after their year end.

Mr. Brockelbank: — Mr. Chairman, Mr. Minister, I had indicated to you some time ago that I wanted some information about space from the property management corporation, and also some information about consultants employed by your department. I wonder if you have that information and could supply it.

Hon. Mr. Lane: — I can supply it to you. Do you want us to go through and pull it out now or do you want me to just supply it to you?

Mr. Brockelbank: — You can just supply it to me, Mr. Minister, will be fine.

Hon. Mr. Lane: — In the next couple of days.

Mr. Tchorzewski: — You don't have to give it today, but will you provide me the names and the salaries of your personal office staff? You can send it to me either today or later, what their salaries are now, and what they were at this time last year, Mr. Minister.

Hon. Mr. Lane: — What I can give you immediately is the date of their last increase and the amount of that increase. I don't have a comparison. I can give you their . . . and their current salaries. So if you wanted . . . In all cases, it's 3 per cent. So if you deduct 3 per cent from 1986, you would know what their previous salary would be . . . (inaudible interjection) . . . Pardon? That was 1986.

Mr. Tchorzewski: — Well, Mr. Minister, I have no further questions and we're prepared to move along with your subvotes and different sections here.

I just want to make a summary comment on what we have been dealing with here this afternoon, or this morning and this evening.

Mr. Minister, here is what has become very clear. In 1982 this government became government and inherited a surplus of \$140 million. In 1987 we now have, because of your misadministration, an accumulated deficit of \$3.4 billion. Now along with that comes the interest on the public debt annually, this year, which amounts to \$300 million this year alone.

Now, Mr. Minister, \$300 million is about twice what you're going to spend on agriculture in your budget at \$171 million. Three hundred million dollars is more than you are going to spend on highways and transportation, and if anybody has driven on our roads recently they will know the kind of neglect that they're experiencing. Three hundred million dollars is about the amount of money you're going to spend on social services.

Now I give you those examples, Mr. Minister, because before you can allocate any money to any program in government, whether it's to municipalities in revenue sharing, or whether it's to schools so that they can provide the education that our children deserve, or whether it's to keep beds in hospitals open, you have to lay out \$300 million in interest charges to the bond dealers and the bankers of Toronto and Montreal and Chicago and New York. That's the legacy that you have brought about, and your government has brought about, since 1982.

But as I pointed out earlier, and you confirmed in the questioning, we used to have a gross debt in this province of \$3.3 million — very manageable in 1982. It is now \$10.5 billion — and I should have said 3.3 billion — \$10.5 billion, or \$10,000 of debt for every man, woman, and child.

The federal government has imposed a \$10,000 debt on every man, woman, and child, so that now between the Conservative Government of Saskatchewan and the Conservative government in Ottawa, every single person in Saskatchewan has a debt on their heads of \$20,000 each.

We have seen the greatest tax increases in the last five years in the history of Saskatchewan. Since 1982, every family of four has seen their tax load increase by \$2,160. Now that is a massive tax increase and I suppose people wouldn't be quite so concerned if they thought they were getting something for it. But what are they getting for it? They're getting a dental plan that you have destroyed. They're getting a prescription drug plan which is making people pay hundreds of dollars a month, in some cases, for their drugs. We've got students turned away from our technical schools and our universities, as the Minister of Education well knows. And we've got our municipalities who've had to raise, and will continue to have to raise, property taxes because you're pulling back on the revenue sharing and capital money that they used to have. The city of Regina alone, lost this year — as the member from Regina South will confirm — \$8 million in funding from the provincial government, a massive cut-back in funding.

Now nobody should pretend that the only . . . that there is any other alternative by these municipalities other than take it off the property taxes which are already too high.

And finally, Mr. Minister, what you have confirmed for us today in your estimates in this committee is what was clear when you brought in your budget — that the people of Saskatchewan have been betrayed. The dishonesty of this Conservative government over the years has become clearer every day as we've considered the estimates. Every promise — which I won't repeat, but the member from Regina North West outlined them — that you people ever made, has been broken. It has been broken. All the guarantees you gave, you didn't keep. Is it any wonder, Mr. Minister, that you're probably lower — in fact, not probably — you're lower in the polls today than any governing party in Saskatchewan probably has been for 40 years.

Some Hon. Members: Hear, hear!

Mr. Tchorzewski: — The people of this province reject dishonesty. They want to see fairness from their government. They haven't had honesty and they haven't had fairness and they have been betrayed. That has been clearly shown by the way you have answered the questions here today, in many cases not being able to answer them, and in some cases not wanting to answer them.

One thing I found out today which I was pleased with, and that is your commitment that you made that the budget in the next fiscal year will be brought before the fiscal year begins. Now we're going to hold you to that, Mr. Minister. We're not going to look for another budget in June or July or as we saw this year, but we're going to hold you to that because we think that's an important principle that must be maintained in order that all of those people who rely on government funding know where they stand before the fiscal year begins.

Mr. Minister, that's all I want to say at this point, and I'm prepared to let us deal with the different items in your budget book by page.

Some Hon. Members: Hear, hear!

Item 1 agreed to.

Pages 40 to 44 inclusive agreed to.

Vote 18 agreed to.

**Consolidated Fund Budgetary Expenditure
Finance — Servicing the Public Debt — Government Share
Ordinary Expenditure - Vote 12**

Items 1 and 2 — Statutory.

Vote 12 agreed to.

**Consolidated Fund Debt Redemption, Sinking Fund and
Interest Payments
Finance — Vote 175**

Item 1 — Statutory

Vote 175 agreed to.

**Consolidated Fund Debt Redemption, Sinking Fund and
Interest Payments
Finance — Vote 176**

Item 1 — Statutory.

Vote 176 agreed to.

**Consolidated Fund Debt Redemption, Sinking Fund and
Interest Payments
Finance — Vote 177**

Item 1 — Statutory.

Vote 177 agreed to.

**Supplementary Estimates — 1988
Consolidated Fund Budgetary Expenditure Finance
Ordinary Expenditure - Vote 18**

Mr. Chairman: — Any questions?

**Supplementary Estimates 1987
Consolidated Fund Budgetary Expenditure
Finance
Ordinary Expenditure - Vote 11**

Item 1 agreed to.

Vote 11 agreed to.

**Saskatchewan Heritage Fund Budgetary Expenditure
Finance
Ordinary Expenditure - Vote 12**

Item 1 agreed to.

Vote 12 agreed to.

(2245)

**Supplementary Estimates 1987
Consolidated Fund Budgetary Expenditure
Revenue and Financial Services
Ordinary Expenditure - Vote 18**

Items 1 to 5 inclusive agreed to.

Vote 18 agreed to.

**Consolidated Fund Budgetary Expenditure
Provincial Auditor
Ordinary Expenditure - Vote 28**

Item 1 agreed to.

Vote 28 agreed to.

**Supplementary Estimates 1988
Consolidated Fund Budgetary Expenditure
Provincial Auditor
Ordinary Expenditure - Vote 28**

Mr. Chairman: — Any questions?

**Consolidated Fund Loans, Advances and Investments
Saskatchewan Telecommunications
Vote 153**

Item 1 — Statutory.

Vote 153 agreed to.

**Consolidated Fund Loans, Advances and Investments
Saskatchewan Municipal Financing Corporation
Vote 151**

Item 1 — Statutory.

Vote 151 agreed to.

**Consolidated Fund Loans, Advances and Investments
Potash Corporation of Saskatchewan
Vote 158**

Item 1 — Statutory.

Vote 158 agreed to.

Mr. Chairman: — I'd like to thank the minister and his officials.

Hon. Mr. Lane: — Thank you, Mr. Chairman. I would like to take the opportunity to thank my officials for their assistance, not only this evening but throughout the year. And I think that the people of Saskatchewan can quite properly take pride in the professionalism of Saskatchewan's Department of Finance and the former department of revenue which is now in Department of Finance, and I want to thank the officials.

I also thank the members of the Assembly and members of the opposition. We've had some spirited debates on the issue over the last few months, and I know I always enjoy them, and I appreciate the opposition critic's contribution to the estimates.

Mr. Tchorzewski: — Thank you. May I also say a word or two about our appreciation for the assistance given to the committee by the officials of the Department of Finance. If it wasn't so late, I would make some comment about that the problem is higher up than it is, but I won't say that because it's late, and we've had a long day and covered a lot of ground.

I appreciate the minister for his responses to the questions. We don't always agree with him and obviously have not, may not, think that the answers are adequate, but we appreciate the time we have had here this morning and again this even. And as time goes by, we will have other debates and we will have other questions. But once again, thanks to the officials.

The committee reported progress.

The Assembly adjourned at 10:55 p.m.