

The Assembly met at 2 p.m.

## ADJOURNED DEBATES

### SECOND READINGS

#### Bill No 3

The Assembly resumed the adjourned debate on the proposed motion by the Hon. Mr. Lingenfelter that **Bill No. 3 — An Act to amend The Education and Health Tax Act** be now read a second time.

**Mr. Boyd:** — Thank you, Mr. Speaker, for the opportunity to again make a few comments on this Bill.

As I was saying earlier this morning, our constituency has a very large and significant oil field out in that area. And while it is very low producing it employs a great number of people. The average well out there is about four to five barrels a day. The average lease payments to the farmers are about \$2,000 per well per year. This accounts for a lot of economic activity in our constituency, a great deal.

For example, the RM (rural municipality) that surrounds the community of Coleville receives about 60 per cent of its revenue from oil companies for its municipal operations. The RM of Kindersley receives about 35 per cent of its revenue from oil companies. That really is quite significant out there. About 650 direct jobs are related to the oil industry in the Kindersley constituency and countless others indirectly related to the oil industry.

Mr. Speaker, this Bill does not tell us something that everyone is wondering about — what is the new government's plans to recover this revenue shortfall? I ask the members opposite: what is the plan? How do you plan to replace this revenue? Will you raise personal income tax? Is that the plan? Will you introduce succession taxes or death tax, as some would call it? Is that the plan? Will we see a payroll tax in Saskatchewan? Are you going to lower health care transfers? Are you going to lower . . .

**The Speaker:** — Order. Why is the member on his feet?

**Hon. Mr. Lingenfelter:** — By leave, to introduce a guest.

Leave granted.

#### INTRODUCTION OF GUESTS

**Hon. Mr. Lingenfelter:** — Mr. Speaker, I'd like to introduce a friend and former member of the Assembly, Jack Wiebe, who's seated in the back of the legislature here. I want to say that Mr. Wiebe was a legislator in the 1970s and had a reputation of being a real work-horse and a lot of positive influence here in the House.

This being the Christmas season we want to wish you a merry Christmas, Jack, and welcome to the Assembly.

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

**Mr. Martens:** — Mr. Speaker, I too . . . I didn't realize that

Jack was in the Assembly. And Jack is my neighbour and also a very good friend of mine. As a matter of fact, his wife Ann was on our Consensus Saskatchewan committee, and it was a pleasure for us to have her there. And I acknowledge the work that she did and Jack's responsibility in the province of Saskatchewan.

So Merry Christmas, Jack, and the best to you.

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

**Ms. Haverstock:** — I too, Mr. Speaker, would like to acknowledge and welcome Mr. Wiebe. He's been an enormous asset to me and has worked very, very hard on the national scene as far as agriculture is concerned. He continues to make input, I think very valuable input, as far as different kinds of agricultural policies are concerned. So I'm very, very pleased to see him here today.

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

**Ms. Atkinson:** — Thank you, Mr. Speaker. I would ask for leave to introduce a guest in the gallery.

Leave granted.

**Ms. Atkinson:** — Mr. Speaker, I want to welcome to the legislature Owen Sebastian who is sitting in the west gallery. Owen is a teacher and a principal. He's on leave from his teaching profession to pursue his studies at the University of Saskatchewan in Saskatoon. I want to welcome Owen to Regina today. I think he will find the proceedings most interesting as we debate our government's decision to amend the legislation, doing in the provincial sales tax. Thank you.

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

## ADJOURNED DEBATES

### SECOND READINGS

#### Bill No. 3 (continued)

**Mr. Boyd:** — Thank you, Mr. Speaker. I think I was just outlining what everyone in the province's concerns are with the removal of the PST, what the government's new plans are to introduce to make up the revenue shortfall. And I think everyone is wondering, are the plans to lower educational transfers, are they going to raise the provincial E&H tax, are they going to raise the gasoline tax? How is the NDP government going to deal with cross-border shopping? How will the NDP government replace the \$200 child tax credit?

Mr. Speaker, the synchronization of the E&H tax with the federal sales tax not only benefitted the oil industry, it was also beneficial to farmers. Mr. Speaker, there's always been an E&H tax in Saskatchewan. Items such as batteries, tires, replacement parts, lumber, all construction-related materials were taxed, Mr. Speaker. With harmonization the farmers of Saskatchewan would've received a tax rebate for all of those goods that I've just listed.

Mr. Speaker, that would have provided the farmers of Saskatchewan with additional discretionary spending. Synchronization and the two taxes would have provided significant benefits, I believe, to the agricultural sector.

How does the new government plan on making up those lost benefits? I think that's the question on a lot of people's minds. Are they going to significantly raise the oil tax royalty structure which will have a very devastating impact in my constituency.

I think what would happen in our constituency, we would see sharply lower drilling activity or essentially drive industry out of the province as it was once before.

Will the new government impose a productivity tax as one of the members has mentioned in the past in this Assembly. This kind of attitude should really increase our competitive position around the world, I'll bet. Our competitors world-wide must be really shaking in their boots listening to that kind of attitude. The clear message outside of Saskatchewan will be, as soon as Saskatchewan people become more competitive their NDP government will tax them more. Good job. When we become more competitive, slap more tax on us. I think that's . . . is that the alternative to these type of tax measures of the PST?

Mr. Speaker, when are we going to hear about the NDP's plans for Saskatchewan? As a member of the legislature I witnessed firsthand how little the NDP government has done. They seem to have a preoccupation with bashing the previous administration; have not spent any time preparing for anything else but that — Tory bashing. How long do we have to wait for their plan, the plan for agriculture, for example?

Well one of the members opposite has said we lost the election, and that's true. We did — our party lost the election. But I didn't lose the election. I won. I won just like all the rest of the members . . .

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

**Mr. Boyd:** — I won just like all the rest of the members of this Assembly. And I might add that the Minister of Agriculture offers his congratulations to me, and I accept that congratulations considering the fact that the NDP candidate in my constituency, I think, was very much in line for your job, sir, had he not have been defeated by myself.

The NDP ran third in the constituency of Kindersley, the only constituency in all of the province where they ran third.

I think my concerns regarding this Bill can be summed up in just one question, Mr. Speaker. Now that they're doing away with the expanded E&H tax, what tax increases can the people of Saskatchewan look forward to in the future? What indeed?

I believe there was significant benefits with the synchronization of the E&H tax. I think I'd like to read a little bit from our information that was put together on the E&H tax, Mr. Speaker. And I wonder if you might just

allow me to do that.

On April 1, 1991 Saskatchewan will begin the process of harmonization, the PST with the goods and services tax, the GST. The government's decision will achieve five important objectives: providing the financing for the protection of Saskatchewan farmers through programs like GRIP and NISA. That's a great deal of the money that was going to be raised so the PST was going to go into those farm programs.

Reduced complexity and confusion at the cash register for consumers and businesses — there were some products that were taxed, some weren't. I think that would have taken away a lot of that type of confusion.

Reduced duplication overlap in government sales tax administration — it was going to save the province of Saskatchewan about \$5 million in administrative costs if the two taxes were brought under one.

Improve Saskatchewan's competitive position in a changing world economy, and continue Saskatchewan's protection of the family. I think the harmonization was going to take place in two stages. The first one, broadening the provincial sales tax to include most goods; and the second one was going to take place the first of the year coming up in 1992, and services were brought into that as well.

I think it had the opportunity to help out in a lot of areas of the economy of Saskatchewan. We see some things that might have helped in business, and I'll read a little bit about that now.

The GST is a multi-stage sales tax that affects all businesses including retailers. Over 130,000 Saskatchewan businesses must deal with the GST at various stages of the production-distribution cycle. Almost half of the provincial businesses affected are farming operations.

Saskatchewan sales tax is remitted by over 35,000 — almost all of which are not federal sales tax collector, prior to the GST introduction. Businesses that are not registered under the provincial sales tax are also required to report under the GST.

This complicates the number of businesses' operations including pricing, inventory, evaluation and bookkeeping. They must keep track of two sets of tax rules and interpretation, two tax bases, two reporting and payment procedures. They must deal with two tax administrations.

For consumers, the lack of harmony between the two sales tax meant that a large number of goods and services have a different tax status under each system. This complicates the application of taxes at the till and leads to confusion for consumers. All 50 countries which levy a GST sales tax have abandoned a retail sales tax to avoid the complications of a dual tax environment.

Increased costs for businesses — the structural difference between the provincial retail sales tax and the GST require business maintain separate reporting and

accounting systems for each. Canadian Federation of Independent Business estimates that the average cost for a business to administer a retail sales tax is about \$1,380 per year, Mr. Speaker. Since over 35,000 businesses currently remit provincial sales tax on behalf of the province, the administrative savings from harmonization could be in the tens of millions annually.

The expense of operating a dual sales tax environment is unproductive and reduces the competitiveness of our economy. It is a cost, for example, that could be redirected to the productive investment in job creation. Higher government administrative costs result as well. Two sales taxes operating side by side require a duplication of administrative effort. Given the current fiscal pressures on both orders of government, opportunities to remove the duplication and improve administrative efficiency must be restored and explored.

For these reasons the Government of Saskatchewan opposed the introduction of the GST. It tried to convince the federal government to defer the implementation of the GST and return to national sales tax discussions. Regrettably the federal government chose to push ahead and implement a federal only sales tax. I think that is the reason why the former administration decided to pursue this avenue of harmonization.

How the sales tax . . . how Saskatchewan's new sales tax would have worked, when Saskatchewan's sales tax become fully harmonized with the GST on January 1, 1992, it would have been a multi-stage tax. While businesses throughout the production-distribution cycle including retailers would charge provincial sales tax on their domestic sales, they'll also be able to claim a refundable credit known as an input tax credit, for any tax paid on the purchases of goods and services used in the course of doing business.

Saskatchewan's new sales tax will therefore permit the full recovery of sales tax by commercial operations, thereby improving their competitiveness domestically and internationally.

It also provided for a family tax credit which would have been a new support for family. The family tax credit will provide an annual tax saving of \$200 per child for lower income families. It would have commenced in April and would be paid to eligible families in four instalments throughout the year — April, July, October, and January.

The credit would have been modelled after the federal GST credit. The credit would have been phased out at the rate of about 5 per cent of family income exceeding \$24,355 threshold. Families having two dependent children with incomes up to \$32,355 would have benefitted from this credit. The threshold is the same one used by the federal government for the GST and would have been indexed annually for inflation.

This credit, which was refundable, will be available to over 104,000 families in the province of Saskatchewan. It will include families on social assistance which do not incur an income tax liability.

(1415)

The economic impact of harmonization, Mr. Speaker — the competitiveness of Saskatchewan businesses. Saskatchewan's economy continues to be largely dependent on primary industries which are capital intensive and export oriented. It is subject to the international market forces and relies heavily upon investment dollars from sources that reside both within and outside provincial borders.

Saskatchewan's current sales tax is levied at the retail level but is paid for by both individuals and businesses. The application of the provincial sales tax to the business purchases can result in a significant disincentive to prospective investors in Saskatchewan and can disadvantage existing provincial businesses.

For example, when a Saskatchewan based company purchases a computer it will pay approximately \$5,000 for that computer; it would have paid \$350 in provincial sales tax. The tax paid must either be reflected in the price that the business charged for this product or it will be absorbed by the business as an expense. This could result in a lower wage, lost job opportunities, and reduced investment.

The harmonization benefits — by harmonizing with the GST businesses in Saskatchewan will benefit from having all their tax paid on their inputs purchased in Saskatchewan refunded to them through the input tax credit mechanism. They will also benefit from reduced compliance costs resulting in a single tax administration. This would create a stronger business sector, a more efficient allocation of resources and improved ability to attract non-resident investors to Saskatchewan.

Saskatchewan's real domestic product is expected to grow by 1.6 per cent or was expected to, due to harmonization. This is in addition to the expected 2.3 per cent increase in real GDP (gross domestic product) due to the effects of the federal sales tax reform.

The impact on some of the sectors in Saskatchewan, first of all in regard to farmers and agriculture — although many people view the federal GST as being too complex it is now firmly in place. Most farmers have already registered in the GST system and have begun to modify their accounting procedures to accommodate the tax. Harmonization of the two taxes therefore will not increase the complexity of taxation but will reduce it. A sales tax administration having common rules and interpretations and filing periods is simpler than two separate tax systems operating side by side.

Farm exemptions remain. Although farm inputs are eligible for farm tax credits, the federal government recognized the views of the Government of Saskatchewan and others that major farm input should be free of the GST at the time of purchase. Therefore under a fully harmonized tax system, many of the items on the farm input exemption list of the current provincial sales tax will remain tax free.

Some of the major farm input purchases on this list including such items as: tractors, 60 p.t.o. (power take off) horsepower or more, swathers, combines, discers,

cultivators, seeders, grain bins, augers, rock pickers, fertilizers, feed of 20 kilograms or more . . .

**The Speaker:** — Order. I'd like to draw members' attention to Beauchesne's 5th Edition on paragraph where it . . . I think Beauchesne's is very clear that a speech cannot be a lengthy quotation and where a member cannot simply read from another document and that will be a speech. And I've listened to the member very carefully for the last five or ten minutes, and he has read continuously from a particular document, and that cannot be the main part of your speech. If the member wishes to continue and use some quotations, fair enough to back up your speech. But the main part of your speech must be your own words.

**Mr. Boyd:** — Thank you, Mr. Speaker. I apologize for that. I think I'm trying to point out some of the concerns that are related to the PST that we believe in.

There's a few other items that I preferred . . . I wasn't reading page after page; I was selectively quoting.

A few things that I think were important in it was there was a transitional period, Mr. Speaker; it would have occurred in two stages. As I said earlier, it becomes . . . 1991 would have been a transitional-type year. There would have been a number of things in the early stages of it that would have been applied into the PST, things that we're all familiar with, I guess. There was books, magazines, periodicals, newspapers, including subscriptions — purchases of these items — clothing and footwear, including adults' clothing and footwear selling for less than \$300, and children's clothing and footwear; electricity for residential use would have been included; meals including prepared foods and beverages sold in a form suitable for immediate consumption either where sold or elsewhere; natural gas for residential people.

I think those are some of the things that would have been included in the first parts of the harmonization. And the second part to begin in January, would have begun on January 1, 1992, would have been . . . they included the services.

I think in looking at the harmonization there is significant amounts of benefit for businesses. I think there's a few things that I think should be pointed out. There was \$126 million that would have been raised with the PST would have went to fund the programs GRIP and NISA, which have led to \$1.3 million in farm support for the farmers of Saskatchewan. It would have improved business competitiveness. Business purchases would have been tax free after 1992.

It reduced confusion, reduced overlap, duplication of government administrative . . . would have resulted in a \$5 million savings to the government coffers. It provided for protection of the family. The family tax credit was introduced.

Two stage harmonization, as I said it started . . . I think a lot of people were unclear of that, Mr. Deputy Speaker, about how there was two things. One part of it was introduced early in the spring, and the rest of it would have been brought in 1992.

The current provincial sales tax continues until exemptions . . . there was a number of exemptions. The farmers had a number of exemptions, and I think that was important to note as well, Mr. Deputy Speaker.

The sales tax is collected at each stage of production-distribution cycle. Each business charges sales tax on domestic sales. Exports are tax free. Claims input tax credits on the inputs, remits differences to government collections minus input tax credit. Businesses receive sales tax refund when input tax credit exceed taxes collected. It had a number of cash flow advantages, I believe, for the business sector and the agriculture sector in Saskatchewan.

I think there's all kinds of benefits, Mr. Deputy Speaker, that could have resulted in increased economic activity in Saskatchewan. The members opposite don't want me to continue reading, so I'll try and wrap up my remarks here now, Mr. Speaker.

I think that a lot of people in Saskatchewan misunderstood the application of this tax, and that's partly why there was a rejection in the public's mind of the tax, I believe. If you look at myself as a farmer and a business person, I think it did have some opportunities. We, in my two businesses that I operate, I think it would have offered a significant benefit to myself and then in turn allowed me to increase employment or at least maintain the employment of the people that are working for me right now.

So I think it would have helped a great deal.

A lot of the border communities as well were concerned over cross-border shopping, particularly as you look at the Alberta situation. As I was saying earlier, my constituency has a lot of oil and gas industry in it. We have a lot of Alberta companies that come into Saskatchewan that were tax free. There was no sales tax in Alberta, so I think it reduced substantially the competitive position of the oil companies that are based out of Saskatchewan. And that had a real strong impact on what was happening with the oil companies in our area. I think it would have helped in the long-term provincial economy as well.

So while the members opposite don't support the PST, I think there was a number of us in this caucus that had felt there was some real benefit. I have to just look at the farm situation again a little bit more, and I look at my GST applications and this is, I think, is important when you look at your overall farm situation. We had the benefits, Mr. Speaker, that I think brought a lot more discretionary income back into my pocket compared to what was there before.

It's too bad that a lot of people didn't recognize this benefit a little sooner, I think. There's a number of people now looking at it. The farm people, as they're filling out their GST applications, they are finding that the federal sales tax, the GST, is coming back to them quarterly. They fill out a relatively simple form and it comes back to them. And the PST would have been included into that.

I note in my own situation, it was about roughly \$1,500 a quarter that I was receiving back in benefits, Mr. Deputy Speaker. And while I don't believe it would have been exactly the same with the PST, because there was a few items different, it would . . . I estimate, approximately \$1,000 a quarter back to myself as well. So I think it did have a significant amount of benefit.

We find that with that benefit, it resulted in discretionary spending for myself which in turn I was able to spend into the economy around our community and didn't have to . . . Otherwise it was going directly into the government coffers, and they could do with it as they pleased with it, which I prefer. And I think most people would prefer to have the discretionary spending rather than having someone else making the spending decisions for them, Mr. Speaker.

In conclusion, Mr. Speaker, in light of all of these things that I've been talking about this afternoon, I think it's important that we recognize that the GST is not going to go away, Mr. Speaker. And I think we have to . . . I think the former government's feelings was that if there is any benefit to be gained by harmonization, it should be looked at very carefully, and I think that was the reason that it was done.

So in conclusion, Mr. Speaker, that is why I will not be supporting this Bill. And thank you for your indulgence when I was reading earlier. Thank you.

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

**Mr. Muirhead:** — Thank you, Mr. Speaker. I'm going to have a few remarks about this here, this Bill. It's one that the government had to bring in. There's no way about it. I mean they promised for a long time out there to remove the 7 per cent PST tax.

And they had to naturally implement a Bill to have it happen, it just had to happen. And we know it's going to go through and we're going to be in the Committee of the Whole before too long, we'll be asking questions. It's going to go. But we want to make our points, Mr. Deputy Speaker, why they had to do it, why they're doing it, and what they're going to replace it with. Because we know they have to replace it with something. The money has to come from some place.

The Deputy Premier and the Minister of Finance, Mr. Deputy Speaker, sits there saying, what's your point, what's your point. Well I'll tell you, I'd like to know what his point was in bringing it in in the first place. Why did they promise the people out there to bring in a PST tax . . . or I mean to remove it, and they know they had to replace it with something, Mr. Deputy Speaker. They know the money has to come from some place — they know it.

The voters in my constituency, Mr. Deputy Speaker, they fooled many of them — they fooled many of the voters. Because I argued with several when they said, it's gone. At midnight on October 21 the PST tax will be gone. And they didn't realize that the 7 per cent E&H tax would be right in there to take its place. Because they misrepresented the people out there when they were knocking doors and writing their brochures. All they said

is PST tax gone — gone tomorrow, gone.

And we know that the Minister of Finance has to put a plan in to fool the people next spring when the budget comes in, to replace the money. He's got to come up with the funds.

Well let's talk real serious. I suppose, Mr. Deputy Speaker, that we'll have inheritance tax back. This government is famous for the inheritance tax, death taxes. They taxed the dead. That's why they got defeated in 1982 and that's why they'll soon be defeated again, because they have to bring these things back in. Because the people will always vote — every time — they'll vote for less taxes. They'll always be fooled by it. Everybody in Canada was angry and still angry at the federal government when they brought the GST tax in. And they're the first government in the history of Canada that says, let's get rid of the hidden taxes and let's pay a tax out there where everybody can see.

(1430)

Now everybody knows that, because there's no chirping comes when I say that, Mr. Deputy Speaker. When the federal government said they were going to go for a 9 per cent GST . . . take away 13 per cent, replace it with 9, then they come in with 7. So a lot of people in this country had a net gain when the GST came in.

And I'm not standing at my seat here, Mr. Deputy Speaker, and saying I'm in favour of taxes. Because I wish we could have no taxes. But how would this province go on without any taxes? You couldn't.

And the Minister of Finance knows that he has to replace every dollar that this government spends. And they're going to spend plenty, because they're not going to quit building highways. They'll have parks to have to have money for. The Minister of Parks is probably already saying out there, well I want my share in that budget. I'm sure the Minister of Highways will be saying that now. They're probably already arguing in their cabinet, Mr. Deputy Speaker, about I want my share.

I'm sure that the member from Rosetown-Elrose is saying, I got to have money for farmers. I'm sure that he's saying that. He's saying, I've got to have like, not peanuts, I've got to have in the half a billion to billions of dollars for farmers. He knows that. So he's in there fighting for it. Well where's the money going to come from?

It isn't going to come, Mr. Deputy Speaker, the money isn't going to come by cancelling taxes. He's already hurt farmers by cancelling the PST. Now they hurt quite badly out there.

Anybody that's a farmer gets a refund on his GST tax. We all know that. Now they made a good job at election time trying to tell people that doesn't happen. But it does happen. The farmer got it back. He got his GST back and his PST. Where every dollar of GST tax is refunded, so is the PST. Now he knows that. He knows that. It is happening. People sit there and shake their head at me. It's a fact, because I can give you some examples. I can take you to a potato irrigation farm in Outlook where their

refund, they're expecting \$7,000 per quarter.

**An Hon. Member:** — On what?

**Mr. Muirhead:** — On his PST tax and GST together — \$7,000 on the GST and PST. And he paid it when he bought it. The Minister of Finance says he never paid it. Mr. Deputy Speaker, that's misrepresenting because everybody has to pay it.

The only thing that he didn't pay on, Mr. Deputy Speaker, was when he bought his tractor. He definitely paid it on his irrigation equipment. You kept . . . the Minister of Finance will not be able to show me where it's exempt to buy irrigation equipment, and irrigation equipment is in 100 to 200,000 just for one pivot.

Now you see if you can find out . . . (inaudible interjection) . . . Mr. Deputy Speaker, I will not be intimidated by the Minister of Finance standing here and saying that I don't know. And I'll challenge him that an irrigation farmer growing potatoes in Outlook buys irrigation equipment, he pays the tax. He pays the tax and then he has to apply for a refund — GST and PST.

Then if he wants to build a building to put his potatoes in, which I have this one farmer in Outlook . . . and I can give his name, but I won't, but I can. But anyway, Mr. Deputy Speaker, this man is spending around 70,000 on a wooden building to pay, and he has to pay a tax on that.

Now if the Minister of Finance says everybody doesn't pay it in the first place, he's misleading the people in the province of Saskatchewan, because they do. And if you think I don't know what happens on my own farm where my sons run a shop, and they do, and this is figures that they've got, approximate figures, from their accountant in Outlook, Mr. Don Tofin, and on their own personal the refund on PST alone would be 1,500 per quarter. That's \$6,000 in a year. That's now approximate now.

And his customers, if they've already figured out that what's rebatable, that they're now going to lose because they'll be paying 7 per cent on GST, like on batteries and belts and things like that that aren't refundable, it's going to come to approximately to his customers to \$75,000 in one year.

Now that's a lot of money. You can say, well, tax has got to come from some place. But what you're doing is getting it from the farmer and going to put it some place else. That's what you're doing. So don't stand here saying that you're out there to help farmers.

To win this election out there, you went out there and you won all these seats in rural Saskatchewan out there by misleading the farmers saying that you're going to put on moratoriums and you're going to have farm plans, all these things; and you're going to remove the PST tax to save you money. How do move a tax that's refundable to a farmer and then put in a 7 per cent E&H back on that's not refundable.

Now I have a hog farmer at Imperial that sure isn't very happy with you. He says in his quarter on the PST refundable will be \$1,200 per quarter and he wants his

name mentioned. His name is Mr. Mooney from Imperial and he says I want it stated in here that it's \$1,200 per quarter on my hog farm. And that's \$4,800 in one year, Mr. Deputy Speaker, that's \$4,800. Now they think . . . they know I'm right. They know I'm right, Mr. Deputy Speaker.

I assure you, Mr. Deputy Speaker, one of the members was saying they want to read it in *Hansard*. Well I'll tell you they won't read it in *Hansard*. They won't want to see it again because they know I'm right. I'll guarantee you when this page in the *Hansard* comes through they'll just be . . . that page goes right into the garbage because they won't want to look at it. Because they know they can't read it. They won't want their people in their riding to read it because you've misled them out there.

Yes I know, Mr. Deputy Speaker, that the voters have been fooled many, many times in Canada when it comes to tax. But nobody can fool the people after they think for a while. At election time it's something like John Diefenbaker said in my dad's kitchen in 1946. He said to 12, 15 of my neighbours — when I was about 15 years old — he said I don't think you people really understand how elections really work. He said, I don't think you understand how people think. He said one-third of the people, Mr. Deputy Speaker, on the side of the government, the other third on the side of the opposition, and the other third are on nobody's side. And whoever crawls into their pocket-book and fools them at election time, wins the elections. And that's the way it's always been, it's the way it's always been, it's the way it's always will be.

And, Mr. Deputy Speaker, we know that the members opposite and the 30-day election period crawled into the pockets of the voter of this province and convinced them that we're going to remove a tax and it's going to help your finances. And they all run to the polls and vote for them.

But I'll tell you, I have a good friend in the town of Craik where I live, Mr. Deputy Speaker, and this one doesn't vote for me. He doesn't vote for me. He's an NDP, and a very fine man. And if you think that he's very happy when he finds out that he has to pay a 7 per cent E&H tax . . . he thought it was gone.

You people definitely fooled everybody out there by saying the 7 per cent PST is gone at midnight. And then the morning, about 5 minutes after 12, on comes another 7 per cent on E&H tax. Now if that's being honest with the people out there, Mr. Deputy Speaker, boy I don't know; I just can't handle this. It's just something that I didn't think that any government would do.

In 1982, Mr. Deputy Speaker, the Progressive Conservatives promised to remove a gas tax. We promised. The economy was good in 1982. And you know, and you know in 1982, you know that it was reasonable to remove that gas tax then. It was reasonable because everything was fine. We were able to balance budgets.

But we didn't know, what we didn't know, Mr. Deputy Speaker, is when we took over your cooked books, things

weren't so great either. Because if I ever heard of cooked books, it was in 1982. And some of the people chirping from their desks, Mr. Deputy Speaker, weren't here in 1982 to see the cooked books. And I want to see the . . .

**The Deputy Speaker:** — Order. I'm having some difficulty hearing the member, and I wonder if other members would allow him the courtesy to be able to finish his remarks in relative peace. Thank you.

**Mr. Muirhead:** — Thank you, Mr. Deputy Speaker. It would sure be a lot easier on my voice too. If they would just wouldn't say anything, I could talk lower and it'd be easier on my voice too — be easier than everybody. Mr. Deputy Speaker, I can stand here as long as people want to chirp over there and say nothing. That's fine. It's their Christmas turkey they want to be thinking about.

I wonder if they realize what the business people in Arm River are thinking. I have 25 towns with about 17 or 18 . . . with some pretty good businesses, some good sized businesses in Outlook, Davidson, Craik, Allan, Dundurn, Hanley. Now it took me a lot of talking out there to get them to understand harmonization . . . (inaudible) . . . to understand that. And they did. And that's why I got re-elected because they understood it.

And you people made a . . . You did a masterful job out there fooling the people. You did a masterful job. I've got to give you credit for that. You did a real good job. But I want to warn you, Mr. Deputy Speaker, I warn the people that you better get something ready to cover up the Minister of Finance's big blunder when it comes to big budget next spring when he has to have either a hidden tax or new taxes, or this province is not even be able to go forward.

There won't be any highways. I can remember the member from Riversdale talking about our highways, that you could have . . . He was making fun of the Elbow road saying that you could have a golf course per mile — the 18 holes per mile. Well I'll tell you, we kind of laughed. And that was a pretty good one because we got it.

It's written in blood now that we're going to build a new highway. It's going to be a brand-new highway because of Elbow. It's a town that's rising fast. And they're requesting from Saskatoon, where you members here represent Saskatoon, your people wrote letters to this government — they want a new highway right to Elbow.

Now will there be money in the funds next spring in the budget to build a new highway from Elbow to Saskatoon? Well I'm going to be watching very carefully. Where is the funds going to come?

The Minister of Health's been doing a lot of chirping from her desk. I wonder where she's going to get the funds from the Minister of Finance to build the new promised senior citizen home in Hanley. Where are these funds going to come from?

So either they're not going to build the highways or build the nursing homes . . . put a moratorium on nursing homes like they did before back in the '70s. When I was elected in '78, I couldn't believe it. There was a caring

government that took the credit for bringing health care in. They took the credit for that; brought health care in. They said they did. After John Diefenbaker came up with the idea.

But they have to give them credit, and I have to give credit to Tommy Douglas who was, I feel, was the father of health care.

But I never thought the day would come when I would see moratoriums on nursing homes and everything in rural Saskatchewan and keep building them in Regina and Saskatoon.

The Minister of Health would like me maybe to talk about moratoriums. We talked about it in question period this morning. We could turn to that subject if you so wish . . . (inaudible interjection) . . . I'd sure like to say something now, Mr. Deputy Speaker, but I'm not allowed to.

Mr. Deputy Speaker, I just want to have it on the record that I'm saying in this legislature how serious it is for the business people in the province of Saskatchewan that were just starting to understand it, starting to understand this in spots throughout Saskatchewan, harmonization was really meaning to them.

(1445)

I couldn't believe it until after the election. The large restaurant owner in Davidson, he said, you know at the last moment somebody came in here and absolutely convinced me at election time that you Tories were wrong on how this harmonization works. And he said I only spent a few minutes with you about two months prior, and I didn't listen close enough. And he said, here I went and voted for one of the other parties, and now I've been fooled because it's been explained to me what I voted against — been explained to me what I voted against.

And explain to me what I've voted against. I've voted against my own . . . (inaudible) . . . of the refunds it could have had. It's a fairly old restaurant and he came in and restocked and rebuilt that restaurant. It cost him thousands of dollars and didn't realize that there was no charge on the PST tax and all that equipment in that cafe.

Mr. Deputy Speaker, I'd like to go back for a few moments and talk about the seriousness of the Minister of Finance when he'll have to bring in next spring death taxes and inheritance taxes. Because they used to have them on; they were on in the '60s and '70s, they were there. And the hardships it caused people; it caused a lot of problems. It broke families, families that worked their whole lifetime. And when they passed away, the farm was charged so much on death taxes and inheritance taxes when they passed it from one to another that it broke many estates.

And that's why when the Tories . . . it's the Tories that removed these taxes and we intend to have them removed for ever, but now I don't trust the Minister of Finance. I'm so afraid that when he's removed this tax he has to get the money from some place else. It's got to come from somewhere, it has to come.

And so I've heard little rumours throughout Saskatchewan that they're definitely talking about bringing back inheritance tax and death taxes.

Now this is serious and I want this on the record, because when they do it over the next few years, they do this or something like it, it'll be the same thing. If it's not a death tax or inheritance tax or whatever it is, the Minister of Finance will have to put a tax in place to get the money and he's going to try to fool people. That's what it's all going to be about, he's going to try to fool people, Mr. Deputy Speaker.

And, Mr. Deputy Speaker, if the Minister of Finance, if the Minister of Finance . . . we've been doing all the talking on this Bill from this side, but I've never heard anybody from that side get up. They just want to put it through. They did all their talking out there. They did all their talking at election time, but now they can't stand in front of the people of Saskatchewan and defend it. Oh there was two or three of you that spoke on it, but what about . . . We got 10 of us over here and we'll soon have all spoken on it.

Now why can't they, Mr. Deputy Speaker, if there's 55 members over there, why didn't we hear 15 minutes from each one of them, because this is what they won their main election on. This is the main thing they won this election on — was PST tax. That's all you heard out there. The NDP will remove that tax, remove that tax.

Now, Mr. Deputy Speaker, if they were so proud of that and it was the right thing to do and they had something to replace it with, why couldn't we not have all 50 members — 10, 15 minutes — stand to their feet and defend it? No sir, they're not doing it.

I feel sorry for the Minister of Finance because he's one of the ones that has to defend this thing. He's the one that's going to be in problems over it.

**An Hon. Member:** — Thank you, I need a friend.

**Mr. Muirhead:** — Mr. Deputy Speaker, I'm sorry that the Minister of Finance, after he puts all these taxes on to replace this tax, is not going to have very many friends left in Saskatchewan. He's not going to have many friends left.

There isn't any Minister of Finance in these hard, troubled times in North America that have too many friends. The only time they have friends is when they're sitting with their people in their parliaments or legislature, their colleagues, that's the friends. But when they go out to face the real people they will not be very popular people in this day and age.

Because this economy the way it is in Saskatchewan, Mr. Deputy Speaker, is not just here in Saskatchewan, it's the same all over North America and I guess the world today. In Canada now . . . I see in the paper the other day where our deficit has hit the trillion mark. Then when you take a look in the United States there's nobody living today, nobody . . . somebody being born today will never ever see the deficit completely gone. It'll never be gone.

And the deficit we have in Saskatchewan, they're saying that the Tories created it. Well I like to know who created it right clean across this country. I'd like to know. I'd like to know who created the deficit in Ontario since the last provincial election.

Like by the billions of dollars comes that deficit because, Mr. Deputy Speaker, they made so many promises at election time, and they tried to keep them, and it's now 10, 15 — 10 billion is it? — \$10 billion.

**An Hon. Member:** — You already lost that much.

**Mr. Muirhead:** — He said you lost it. Goodness it's the NDP that won it, and it's them into debt for \$10 billion. And you know, Mr. Deputy Speaker, that for sure this government will not be able to bring this here . . . make this promise that they've promised to do. They cannot keep their promise.

And I'm going to stand here, the member from Arm River, and I'll be the proudest man. And I'll be proud of you people if I see taxes lower, balanced budgets, create jobs, save all the farmers. I mean, I'd like to see you do that. But it cannot be done.

But I'll give credit where credit's due. I'm 60 years old, and I've had a lot to do with people throughout this whole world, and when anybody ever does . . . my enemy does anything that's right, I give credit where credit's due and that's you people.

I'll give you credit if you can balance the budget and lower taxes and create jobs and save all the farmers. I heard several speeches here; if you lose one farmer, you've lost too many. By what we've heard in here this morning — and we've heard several question periods about these broken promises for farmers — I think we're in lot of trouble in Saskatchewan.

Saskatchewan, you have to have money in the hands of farmers. If farmers don't have money to spend, then you're going to have your shops in Regina and Saskatoon . . . Just look at Christmas time right now. How many shops and stores are closing the door?

I only had time to go shopping one night, for Christmas. I went with my wife the night before last . . . And the two stores that we went to in the Cornwall Centre to buy, had sheriff's sale on the door — sheriff's sale. They're going down. And I'll tell you, people thought that these people were going to be saved as soon as the NDP got in in October. This is December, but the doors are still closing. And why? Because people are not spending money.

When you haven't got money moving through the farmers . . . it's the farmers . . . I've had many business men in this city of Regina . . . I've talked to the manager of Eaton's here, just a few weeks ago. And he told me, he says, you know I was always against it. Every time I picked up a paper and I see more money for farmers, he said, why not more money for me? I have no connection with the farmer. And, he says, you know it's taken me the last two or three years to get my head in gear that really why Eaton's right here in Regina are having a problem, a financial problem, because the farmer was the cream of



the crop that came in and spent the money to give us our profits.

You go talk to Lakeside Chrysler over here if you want to talk about finances and what it affects farmers. Lakeside Chrysler went under this year, and it's not the cars that they sold in Regina area people, it's the farmers that quit buying half-ton trucks and grain trucks and cars because they haven't got any money.

And here this government over here is going to starve the farmers. They're going to put hundreds of farmers right off their land before spring. They went to Ottawa. The Premier's been down there twice, and he's come back empty-handed. Now I will be fair and say that yesterday was only a four or five-hour meeting. But, my goodness, he could have just as easy had his ministers have a real nice, big brochure with a whole bunch of requests in and plans and ideas to hand them. It only takes a few seconds to hand somebody some ideas and put together . . . because they've had our ideas down there for a long time, and that's why we've been getting money. We've never had a year since 1984 that money hasn't come into the treasury of Saskatchewan from the federal government since they've been elected in Ottawa — 1984.

But now I do believe that this government, Mr. Deputy Speaker, is going to go absolutely blank from Ottawa. I don't think they're going to get a dollar out of there. I don't think that they're going to get a dollar, because they don't know how to go about it. They don't even know how to go about it. You've got to ask but you've got to be reasonable when you ask. You've got to have your request. They've got to be put together so they understand it.

But just to get on a plane trip and take a trek to Ottawa and talk about . . . on the outset without a real plan, you're not going to get any place with Ottawa. Not going any place.

And unless we get money out of Ottawa, unless we get money out of Saskatchewan treasury, the farmers are going to be much worse shape by spring than they are now and much worse by fall. I hate to be a pessimist, but I do believe that for farmers in Saskatchewan, that we haven't even got close to the doom and gloom yet. I think it's still coming.

Under a Tory government we would have at least kept . . . without finances, without money, we were going to be able to at least keep the farmers on the land. Because we promised at election time, once you've been through the courts and lost that land, there'd be legislation come into this House for a lease to own. And they could have at least kept them on that land.

Because I can take you back to the '30s, Mr. Deputy Speaker, when the farmers that weren't tough enough and couldn't stand it, they left those farms and they weren't there when things turned good. And we know that things . . . I'm happen to be a person that believes that no era of a life ever stays the same, that it'll change. And times are going to get good again — it will. Because there's no times ever stays the same in the history of the world.

And if we don't have farmers left on that land, who's going to be there when times turn good again? We feel

badly that the farmers that lost their farms through us. But we done everything we could do to save them. We put plans through to help the farmers.

Our premier, the member from Estevan . . .

**The Speaker:** — Order, order. I did leave the House for a bit. Unless the members, while I was gone, have gone on to another Bill, when I left we were on Bill No. 3, An Act to amend The Education and Health Tax Act, and I see no relationship to what the member is saying in the Bill that's before us. So could I draw him back on the Bill?

**Mr. Muirhead:** — Yes, I'm sorry, Mr. Speaker. By you not being here, you wouldn't hear how I connected it. Mr. Speaker, there isn't a dollar spent, no matter where it comes from. And I connected it all at the beginning, Mr. Speaker, that this PST tax by removing it, it will be less money for farmers, and I took it into the hardship of farmers. And yes, Mr. Speaker, I'll try to keep as close as I can to the PST and the hardships.

We know, as I said in the beginning, that for sure this government is going to pass this Bill. They have to. They have to because they promised it and they put it on. So it's just a housekeeping Bill as far as I'm concerned now, that they have to do what they promised at election time.

But what we on this side of the House are trying to do is to get it on the record, and so we have the media print some things that we're saying so people will know that without the PST tax there's going to be hardships in the province of Saskatchewan. It will create hardships. And where we're really going to see the hardships for the lack of the PST tax is next spring when the Minister of Finance brings down his budget.

Mr. Speaker, he has created false thinking into the people of Saskatchewan with his \$975 million deficit. Now he keeps saying these here words and he keeps saying those figures. And I want the chance to be able to get a statement from him that shows exactly every dollar that he's talking about because I have a little trouble believing that \$975 million. I think it's about the same as what we were told when the election was called, Mr. Speaker, in 1982 that we have a balanced budget. And we found out that we went out and had an election on it and got into these cooked books and it was not a balanced budget.

Yes, we were just short about a-hundred-and-some million just on a potash contract in my own riding — a hundred million dollars — Colonsay and Allan. They just made mis-sales. They calculated their figures. They didn't do it honestly and that's why they're not doing this honestly but . . .

**The Speaker:** — Order. Order. The member knows that those words are unparliamentary, and again I would ask the member and draw him back to the Bill that is before us. I don't recall that we are on 1982 unbalanced budgets; the potash company. We are on the Education and Health Tax Act and I ask the member to first of all withdraw the remark of the government not being honest, and then getting back on the topic again.

(1500)

**Mr. Muirhead:** — Yes, Mr. Speaker, I'll withdraw the remark that they weren't honest. All that happened, they made a mistake in the books.

And perhaps they couldn't help it because . . . what I was going to say, Mr. Speaker, what happen and to relate through the problems we're going to have today and the problems we're going to have next spring when he comes down with his budget. Because how they came up with these here losses is how I can walk into the bank tomorrow and say: Mr. Banker, I need to borrow 100,000 operating to operate my farm next spring. And he'll say, well let's have a look at your revenues. And I'll say, yes my flax is going to make 40 bushels an acre; my wheat will run around the 50 bushels, and my oats will make 70. And we take a guess at the prices, and we've got ourselves a nice balanced budget for my farm. Farm looks real good.

But boy I'll tell you, do you ever have a mess of a books, just like they had with the potash mines, if the sale fell through. And in my case, say that . . . this is hypothetical, but say that it doesn't rain or something goes wrong and the price goes down and the books don't balance. And that's what they did with the potash mines in '82 and that's what I'm saying, Mr. Speaker.

In 1992, the minister has to be honest when he comes up with this here budget. He's got to show us where he's replacing the PST tax. Where's it going to replace? Don't fool the people in Saskatchewan because you fooled them at election time. It was gone — 7 per cent. E&H came back. Now don't fool them next spring when out comes this budget and it's supposed to be balanced. You promised balanced budgets. Now let's see how you can do it. I wish the minister good luck in balancing budgets. I wish him good luck in lowering the taxes. I wish him good luck in creating jobs. I wish him good luck in all these things and all their promises. But I'll tell you, we on this side of the House are going to be here to see that you do it.

And I thank you for your time, and I'll let some of my more colleagues have a few words to say.

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

**Mr. Goohsen:** — Thank you, Mr. Speaker. With regards to this Bill No. 3, the burning question is not whether or not people want tax relief. I think no one could say that we would be against tax relief for people. I think anybody from our constituency that knows me will know that as a councillor and a reeve in the past, I've worked really hard to try to keep taxes low and have lobbied hard to have people reduce taxes for all of us who are in this province.

And so that's not the burning question, whether or not we want tax relief. The burning question has to be for us the question of what do you replace that tax with if you're going to balance your budgets and continue to provide the same goods and services to the people of the province that we have been providing in the past and that we were going to plan on providing with an extended PST.

Now it's unfortunate that a lot of people thought in the province that the PST coming off would mean that all of

the health and education tax would come off, because they're going to be very disappointed even when this Bill passes to find out that they're still going to be paying a 7 per cent tax on most of the things that they were paying it on in the past.

And it's unfortunate how people jump to conclusions and the government certainly can't be blamed for all of that. I guess it's wishful thinking on the parts of people to want to think the best, especially when it comes to thinking about the possibility of getting rid of a particular amount of tax that would be really nice to be rid of altogether.

The reality being though, that I think when the government got caught up in this idea of the PST coming off and being a good political tool to try to win the election with, I think what happened was that they trapped themselves into a situation where they now have promised balanced budgets and they've promised also that they won't have this tax and they don't know quite where to go.

And I wonder if they had known all of the answers to a lot of the questions that were asked of me as a candidate, if they would have in fact introduced this particular plan to reduce this tax or take it off.

And so before I go into some of the questions that people have asked me . . . and I want to do that because I want to relate to you what some of our research discovered, so that at least you will have it on the record to consider again in the future.

There's no doubt in my mind that you are committed to having to pass this particular Bill. It's obvious that you are trapped into it by your election promises and we in the opposition can understand your need to have to fulfil that promise.

We also know that you're going to have a need to come up with money in the future. And so there's a pretty good chance that what you'll have to do is take a look at some different taxation forms. And you may come up with the idea of reintroducing a tax form of this nature. And when you do that, you will find a new name for it obviously because you couldn't possibly use one that a Conservative government had come up with in the past. That wouldn't look good.

So what you will have to do is come up with a new name for it. You'll have to circle it around it a bit, come at it from a different direction. But you will be applying somewhat the same rules. And when you do that, perhaps you can go back into *Hansard* and find out some of the reasons why this type of a tax would have worked, and why it would have been a benefit for the people. And you can call it your own idea and maybe even get some brownie points going into the next election.

The burning question for us at this moment is of course how do we now pay the bills? And we know that this question is being asked in the country because it's being asked of us. And we know that a lot of people, as we've stated, are happy that the PST portion, expanded portion is coming off.

But now they're starting to wonder, how is this money going to be replaced? What are we going to do to balance the budget if we're going to really do this? Or are we going to follow Ontario's method of financing and find ourselves with billions of dollars worth of more debt? And people are really, genuinely concerned about that. I am personally concerned about that.

It is a fact that we all have to at some time in life, finance for different things that we have . . . perhaps a home; perhaps, in my case, a piece of land that I might have wanted to buy. But you have to do it with some perspective of looking into the future as to how you're going to pay that money back.

And so I'm not condemning deficit financing totally. What I do condemn though, is deficit financing that is done without regard to how you're going to pay it back. And the expanded PST was going to do a lot in that direction. Without that, now we have to ask ourselves the question, how are we going to make up for this shortfall in revenue.

And because the answer isn't in this Bill, and because the answer hasn't been presented to us anywhere else, we have to now start to speculate in our minds as to what we will have to defend the people of Saskatchewan against coming. And of course I suppose we could always hope ultimately, Mr. Speaker, that perhaps the government would reconsider after our deliberations here and our debate, and maybe they might put in an amendment to this or something like that. Although I don't really, genuinely expect that that would happen right away.

I think we're talking more to the prospect of bringing in something in the future and hoping that this exercise here won't have been futile, in that they may take a look at our arguments at that time and introduce them into a new plan that can work for the people of Saskatchewan, and give them a better life and a better tax system with a more even kind of an approach to taxation.

The thing is that we don't know for sure whether or not there's going to be a balance in taxation or whether we will be targeting certain sectors. And that is a fear, especially to the industries within our province, because of course industries have a tendency to be rather large in size. And because they're rather large in size they become natural targets for taxation. And with this PST coming off, the expanded portion, the fear is out there that one of them may become a target. As I think I had mentioned once before, they may become a cash cow for the government.

And we on this side of the House I guess have a responsibility to point that out, and a responsibility to try to stop that sort of imbalance from happening within our society. And so then we start to wonder, if we look at fairness and balance in taxation, and if this is going to be taken off, this expanded PST portion of the tax is going to be taken off, would the payroll tax be the next kind of a thing that would give you the most balanced approach to collecting taxes from the most people?

And it does kind of strike in your mind that a payroll tax could be a move to be taken. It would be seen as being fair

and balanced because most people draw a wage of some sort; even people that are working for a corporation take a wage out of the company and pay themselves a wage. All wage earners working in the labour force, of course, have a wage so they're an easy target.

Simply applying a tax to payroll would be a very positive way of making sure that moneys in large dollar values come in almost immediately, because every employer would be compelled to take it off before an individual got his pay cheque, take-home pay. And it would be taken off much like your unemployment insurance or something else is taken off right now.

And payroll taxes I guess are not new, although I haven't had much experience in that sort of thing. I've read that payroll taxes have been done before and apparently this is something that could be considered.

And I would think that the people of Saskatchewan might be genuinely looking at that possibility, and they should be concerned because you have the money taken off compulsorily before you take your money home from your work. Whereas the PST, or the expanded PST at least, gave you the option of saying, I don't have them dollars to spend, so I won't buy that particular item. And if you happened not to need a new yacht or something like that, you could simply say, well no thank you, I won't buy that, therefore I'll save the PST and I won't have to pay that portion of the tax.

And if you happen to decide you could afford three wives and pay alimony to them all and all that sort of thing, that's your business. With the expanded PST you could decide where you were going to spend your money, how much PST you were going to be paying. So we felt that there was more fairness in this tax approach than there would be in a payroll tax or that system of attempting to balance out the kind of taxation system that we could enter into in the province.

We have out in our area, of course, mostly rural community, and naturally in rural communities, land becomes a factor because agriculture is the base for a lot of our economic activity and people out in our area of course farm ranches and farms that are not just one generation; they are probably three and four generations old. And when you have land being transferred from generation to generation it becomes always a concern that a government may bring in a death or succession duty type of tax.

And we've had that kind of tax in our province before, and it can certainly in difficult times be the end of a farming or ranching operation if you get stuck with that kind of taxation in the event that by some misfortune of fate one of your family members happens to die without having first transferred his land or property. And of course not everybody can presume when they're going to die, so sometimes they don't prepare for these kinds of things. And as a result they get caught by the system and end up losing a family operation.

And in case you're wondering just how this can work, I'll relate just a little brief story of an individual that came to me during the election campaign and said, we want you

to work hard if you get elected, to make sure that we never see this kind of unfair taxation ever happen in our province again. Because he said, this is what happened to me.

He said, back in the 1970s when the NDP were in power and had a succession duty on farm land, his father passed away suddenly and unexpectedly. And by the time he got finished he had paid \$23,000 on the home quarter in death taxes. And he said as time went by, and looking with hindsight, he wished that he had actually given that land to the government and left the province and gone away, because it was that much of a burden. It was as though he had had to buy that property.

And of course in the last few years farm property and ranch land hasn't been worth all that much and it continues I guess to fall in value almost by the day.

So anyone that has gone through good times and had to pay it may have survived. But now that we've gone into the bad times, they look back and realize that this kind of taxation was so totally unfair that they wish they hadn't been there at all to start with.

It's so totally unfair because people get caught. And one family will end up having to pay it where another family doesn't. And that's just not a fair way to tax people. If you happen, by the luck of the draw, just to have one of your family members die at a rather inconvenient time, you can end up being the farm operation that goes broke as a result of that while others around you who don't have the misfortune of a death can continue to operate and may survive financially.

And so it's important, Mr. Speaker, that we look at the different kinds of taxation and how we implement them to bring a balance and a fairness into the tax system.

And I'm not saying that I like taxes. Here again I'll repeat that — I don't like taxes any better than any of you do. But we have to have a tax base provincially as we do municipally and as we do federally, certainly in order to be able to run the country and in order to be able to run the province and to be able to provide those things that the people have come to expect to get from our society; we must have a tax base. But we've got to try to bring in something that is fair.

The other possibility that is being looked at out in our area of course is a replacement for the expanded PST. It would be, of course, income tax. And there's some justification to talking about people paying an income tax because that is based on your income or your ability to pay. And certainly those that have income can afford to pay a tax a lot better than those that don't have one. That is a given.

Unfortunately though, we've had some experience in the world with income taxes going too far. And this is what can happen. And I believe quite honestly that we've come to that point in our country. I think we've come to the point where we are just about taxed to the highest level that we can afford to tax people without killing the incentive to work.

Sweden, I think, is a good example of that, where social

programs were very good. And I won't deny that people enjoy them and like to have them, and it kind of grows on you to get something for nothing, especially the things that you need. The trouble being though, that at a certain point if you tax too high and you take everything from a person that they can possibly earn and you confiscate it through a tax system, then they quit working. And you found a situation in Sweden where your professional group were all saying, why bother working any more than what I have to to make myself a decent living. Because as soon as I've made my decent living, then the government has such high taxation rates that they confiscate everything else I make.

So they came to that part in life where people simply said: I've earned as much as I can earn without the government taking it, so now I quit. And you had examples of doctors and people like that, dentists, who would work a half a day and then they'd simply say there's no use working the rest of the day, we'll go home. Unfortunately what happens is then that you have people that need that service that can't get it because the professional has quit. He has gone home.

(1515)

So you have a kind of a double back-up there and you don't have anybody willing to work and you have people needing services that they can't buy for love or money any more. And it's all caused as a result of too high a taxation system and an unfair taxation system, or at least the people perceive to be unfair. And when people perceive to be treated unfair, they quit. They just won't work for you any more.

And that's why I believe, Mr. Speaker, that if this government were to have known the answers to some of the questions that we had presented to us, and had had access to some of the research that we did, they might in fact have done a better job of planning this.

One of the questions that we first got was: what does harmonization mean and how does it work? And I wonder if a lot of the members, Mr. Speaker, really understood what the program really meant and what it was going to do.

Harmonization is the process of restructuring the Saskatchewan education and health E&H tax so that it applies to the same set of goods and services as the federal goods and service tax, the GST. This will result in a single tax system which is easier for business to administer and for consumers to understand.

From the consumer point of view there will be no question about which purchases will attract which tax since all goods and services will be subject to either the single harmonized tax or no tax at all. From the business point of view there will no longer be a need to identify and administer two sets of taxes. The collection and remittance procedure for the GST will now be simply extended to include provincial sales tax along with GST.

Now I think that was the fundamental way that the tax was to work and a lot of people I don't think really understood that at the outset. And even if they did, when

the government finds itself in this predicament now of having to come up with a replacement for the PST, they may have to look at some form of a balanced tax system. And they might want to take some of these questions and answers into consideration when they formulate that new plan.

The next question that was presented to me by one of our constituents was what is a dual sales tax environment? Well we did some research, Mr. Speaker, and here was the answer that we got.

The dual sales tax environment describes a situation that results when the federal government's GST entered the field of retail sales taxation on January 1, 1991. It essentially refers to the fact that two very different systems of sales taxation coexists side by side. One is a retail sales tax, although it is paid by businesses, and the other is a value added tax which uses input tax credits.

And you see there is considerable difference here in the understanding that some of the other people out in the country had. So it was an exercise that was well taken to do some research to find out the answers to these questions.

The next question we had was does this mean that sales tax will soon double? And the answer we found from our research was that no, many of the goods on which the harmonized tax will be levied are already taxable under E&H tax. This means that the tax levels on these goods will not change as a result of harmonization. Services, however, which have not recently been taxed in Saskatchewan will become subject to the provincial tax. We went on through our constituency as we went through this process, and the more we talked about this program, the more people seemed to have questions.

And the next question I got was: the Government of Saskatchewan has repeatedly stated that it is opposed to the GST, so why is the province harmonizing E&H with the goods and services tax? And I thought that was a fair question for people to ask because they wanted to know. They wanted to know. And so we had to do some more research and we discovered that Saskatchewan was opposed to the GST mainly because it is complex, both for businesses and consumers. The GST itself is complex enough but the federal government also created a dual sales tax environment by introducing the GST.

And you will find yourselves in that same predicament when you come to the point of having to introduce some kind of a tax form to replace the reduction in your revenue through taking off this expanded PST. So it would do well for you to take note of the answers that were given to the people at that time. The federal government demonstrated that it was not going to back down from implementing the GST. Therefore the only way to simplify the situation was to harmonize the provincial sales tax with the GST. In this way everyone — business, farmers, and consumers — would be dealt with with one sales tax.

Quite frankly, we felt that the other provinces would harmonize sooner or later, and of course so far only Quebec has done that and I'm quite frankly surprised that

that hasn't expanded at this point. But I'm sure it will as time goes by. And I'm sure that if it doesn't then the federal government is probably going to introduce some other form of attraction so that provinces can get in tune with that tax system.

Another question that we were asked by our constituents was: Saskatchewan is broadening its sales tax base without lowering tax rates. Why not? Well quite frankly the province needed the extra revenue to finance agricultural support programs at the time. And at that time international grain wars were keeping prices unnaturally low, well below the fair market values for the products we were growing. And that's why this was introduced. And I think probably that the government of the day will find that they're going to be asked the very same questions, and they will find themselves having to admit that the answers are still going to be the same — we need more revenue to cover the things that we have to supply to our people. And what we have to supply through PST type of taxation is things like aid to farm communities. It has not always been a fact that in our province that farmers were helped by provincial governments, but of late years we find the provincial governments have been getting more and more into that kind of area of assistance. So they'll have to tax in order to be able to supply that service just as we supply health or anything else with the original E&H tax.

The next question that we found ourselves facing was why is the E&H tax extended to things like restaurant meals and clothing and isn't it just another tax increase? And so we had to explain to the people why that was and so we did some more research and we discovered . . . and the answer was that the tax base changes that took place on April 1, 1991, simplified the application of the GST and E&H tax by aligning the treatment of virtually all products sold in departments and convenience stores. Therefore these products will be taxed consistently almost immediately. The extra revenue that this will generate in 1991 would help to finance agriculture support programs like GRIP and NISA as well as to assist the financing of health and education in Saskatchewan.

And I think that the new government is going to find that they will have to address both this question and this answer in almost the same way. We are still going to have to finance both our health system, our education system, and yes our agricultural people because the dilemma that agriculture finds itself in financially has not gone away.

In fact if anything, it appears that it may be deepening and may be getting worse as the winter goes on. And we've got some people telling me now that we may have as many as 15,000 farms that could go broke by spring. Now I don't know if that figure can be substantiated but if it can it certainly frightens me to a great extent.

And the next question becomes — maybe we could live without 15,000 farmers but the real burning question here then is, who's next? Is it going to be your farm or mine? And we all seem to be sitting on a ladder of different levels of rungs financially, and every so often we pull one out and everybody drops down one. So we're going to have to have some taxation in this province in order to support those programs that stop this

rung-pulling from the bottom of this metaphoric ladder that I'm talking about.

Now the next question we're asked when we went through our constituency, Mr. Speaker, was what would be done with the extra revenue that this tax was expected to generate. And of course I don't suppose it really needed an answer to be able to find a way to spend money, but we thought we'd better do some research and come up with what would sound like a professional answer and the following was the one we got. The extra revenue that is generated for the provincial government by harmonization would be used primarily to fund the new agriculture support programs, the GRIP and NISA. Since agriculture remains the backbone of Saskatchewan's economy, the government considered this money would be well spent.

And I would think that the government of the day would find themselves in the same predicament with that situation as the government was last spring. GRIP and NISA are a reality. We heard the Minister of Rural Development explain to us here just the other morning how so many millions of dollars have now been paid out through the GRIP program in the first payment.

And where did that money come from, Mr. Speaker? We know very well that a portion of that money had to come from the provincial government because there is a signed agreement between the federal government and the provincial government to fund these programs, both the NISA and the GRIP. And the GRIP program, with that payment, automatically meant that the provincial government had to come up with some of that revenue.

And now that the PST that originally was put on and designed to pay for that is being taken off, that expanded portion, we have serious reservations as to whether or not this province can pay those bills without further increasing the deficit. In fact I don't honestly think there's a possibility that that could happen. The deficit has to go up. Because I think it's almost a given that we can't get the kind of bumper crops that we had last year every year in Saskatchewan.

It is an amazing thing to me that on the first year we were protected with the public purse being there to back farmers in the way that GRIP did, we had a bumper crop in this province. Isn't that the irony of the day?

But the reality of life, Mr. Speaker, is that we won't be able to expect that to happen every year. And as we go into next year with the government treasury being committed to this program through signed contracts now that are guaranteed to be four years in duration minimum and another three to go, because every farmer has the option to get out next year, but he has to remain in for three years before he can get out. So the public purse is tied to that program for a minimum of four years; one year gone by, three years for sure.

The chances of getting three more bumper crops to take the provincial government off the hook just doesn't exist in my mind. And the international prices then are the only thing that could save the government from having to spend hundreds of millions of dollars on those programs.

And those hundreds of millions of dollars won't be saved unless that price of international products for grains and oilseeds goes up significantly, not just slightly but significantly. And with the removal of the PST — which was the tax that was aimed and designed to pay for that Bill — now being removed, we've got to take a look at where we're going to go to get that money back.

As I went through my constituency I mentioned we had been asked a number of questions, and the next one I have written down here that folks asked us was, why do you have to increase taxes instead of cutting expenditures to reduce the deficit? And of course our government will be interested in the answer because they have said that that was what they were going to do.

The answer we got from our expert staff was that reducing the deficit, while remaining a priority for the Government of Saskatchewan, is not the main reason for introducing a harmonized sales tax. The underlying concept behind harmonization is simplicity in administration in the sales tax area. The efficiencies that this initiates is expected to generate . . . will contribute to a stronger Saskatchewan economy and is a necessary first step in dealing with the deficit.

Revenues generated by broadening the sales tax base will also be directed in various ways to strengthening the economy. And it's important, Mr. Speaker, that we have a strong economy in Saskatchewan. And it was important to note in the answer the simplicity that this harmonization brought — a simplicity that we are now not going to have because when we took the steps in this Bill no. 3 to remove the expanded PST, we also removed the possibility of the simplicity.

And here again, I wonder if the members recall that when we joined the two taxes together, the PST and the GST, that meant that we were going to use one administration, one bureaucracy to collect the money. Now we've got two. We've got a set over here and a set over there. We're paying this bunch over here 3 to \$5 million a year to collect the tax. We've got that bunch over there being paid 3 to \$5 million a year to collect exactly the same amount of tax from exactly the same people, and we don't have enough sense to put the two together and just hire one. Three to five million dollars doesn't seem like much money in a provincial treasury but it sure would look good in my pocket-book.

(1530)

I think maybe that if the government, Mr. Speaker, had taken a little bit more time to look this matter over and hadn't gotten themselves caught up in an election promise that they have to probably fulfil, they might have reconsidered.

And I still believe as I go along here that there's a chance that they will have to reintroduce some kind of a Bill like this in the future. And if they do, I reiterate that I'm quite sure that they may want to come back to some of these questions and answers and this kind of discussion to try to find out how they can make a program work so that the PST in fact, if it is cancelled now, if it is brought back in some other form so that it in fact will work next time, and

maybe they won't take the same kind of lumps over it that the past government did. Because we recognize that the country cannot run without having revenue.

Now another question that was asked me as I went through my campaign last summer was, during the first stages of the harmonization process, will my business be eligible for income tax credits? And the answer we got back was no. The first stage of the harmonization process, extending from April 1 to December 31, 1991, will involve a general broadening of the provincial sales tax base to correspond with that of the GST.

Many of the administrative details, including the input tax credit mechanism for business, will require an extra time to be finalized. These will be introduced when full harmonization takes place in January 1992, and obviously that won't be happening now if we pass this Bill. But it's still interesting to note what could have happened and what can be used if you decide that you have to reintroduce some kind of a Bill like this.

Next question was what happens if I buy something in another province and bring it into Saskatchewan? And I think a lot of folks never considered this because this sort of brings into play this cross-border shopping thing. And if you'll put that into your mind and think about it for a minute, cross-border shopping a lot of people didn't think was really tied to the expanded sales tax. But it was tied to it.

The trouble was there wasn't really a good enough educational process, I think, put into play in the province in order for people to understand how this process could in fact really help Saskatchewan in other ways other than just filling the pocket-book of the provincial treasury.

So the answer was, as the case with the current E&H tax, you must follow certain guide-lines for self remittance of applicable taxes if you make purchases outside of the province. The exact guide-lines that will be in force under harmonization will be developed in the coming months.

That of course won't have to be done now, but the bottom line there in my mind was that you really did owe the tax. Even though you went outside the province and bought those goods, you really did owe that tax to the provincial government when you brought that good across the border into the province.

And a good example of that would be if you bought a new car in Medicine Hat. When you bring a new car from Medicine Hat you don't pay the sales tax for Saskatchewan in Medicine Hat. That's a bonus to you to buy it there. You buy it cheaper. Now unfortunately for the buyer, he's got to get caught in that situation and in that scenario because when he comes to Saskatchewan he must register that car with the government to get a licence and insurance. And at that time they charge you the 7 per cent and you haven't had such a good deal as you really might have thought you had.

So the unfortunate part of that is of course that we don't register everything and it puts people's honesty to the real test. And of course people being what they are, they sometimes will forget, and they just don't remember to

send those taxes in. So they find themselves going out more and more often to buy outside the province and that puts a lot of pressure on our businesses here at home.

And the reality there was that with especially farmers and ranchers along the borders, if they were sometimes a little closer to a town over in Alberta or Manitoba, they might find themselves picking up their antifreeze over there and bringing it home and forgetting to pay the tax. Whereas now under the new system of the PST they would have got that back. And as a result of getting it back every month or three months, whichever option they chose to apply to get their tax back, the reality then is that they wouldn't have been tempted to go over there to buy it, because they would have got it back here. And so the dealer at home would have had that business. And it made us competitive businesswise.

And I can go into that to some detail in the oil and gas industry as well, Mr. Speaker, because the same rules apply there that apply to farmers and ranchers.

The next question I got on my journeys was, what if the businesses sell something to a foreigner or to someone from another province for that matter. Do I still collect the provincial sales tax? And it bothered me because I really didn't know the answer to that, Mr. Speaker, so again we went to research and we asked them to try and find us the answer. And their answer was that during the phase-in period from April 1 to December 31, 1991, the old education and health tax rules with respect to out-of-province sales would remain in effect, and the new administrative rules for full harmonization beginning in January of 1992 would be developed and finalized during that phase-in period.

Now I think probably the best usage you can get out of that particular question and answer in light of Bill No. 3 being before us, would be the hope that the government would take that into consideration, if they ever happen to be finding themselves in a need to bring this type of a tax back into place, or some form of it in order to get that tax balance that we've all been looking for.

The next question I was asked was, will I now have to pay provincial sales tax on big ticket farm items. And of course that was a natural question in my area where agriculture is still the base of our economy. The answer was no, the harmonized provincial sales tax will correspond to the GST list of tax free farm input purchases. This list contains all of the major farm items from tractors to grain bins to herbicides, and a whole host of other things as well that I won't go into mentioning.

The next question was do I have to become a collector of tax on my sales of agricultural products? The answer to that question was no. The new provincial sales system will adopt the GST legislation for determining what type of farm output sales are zero rated, not subject to sales tax. This includes all the common agricultural products from grain to livestock to eggs.

Now isn't that amazing, Mr. Speaker, that all these things could have been taken into consideration, and a lot of folks never ever did really find all that out. And I guess probably we have to say that the educational system here

wasn't probably as good as it should have been. And I hope that if the present government finds themselves in the situation of having to bring in a tax that they will have learned one lesson from all of this, and that is that you have to really educate folks if you're going to increase a tax because if they don't understand it they're certainly going to be against you when you bring it in.

And so I'll say again that while this Bill deals with removing a tax, we see the need to bring a new tax in in its place probably, and we're hoping that this discussion will help the government in its deliberation of how to introduce a fair and balanced tax system for the province so that they themselves won't fall into the same pitfalls that the last government fell into.

The next question that I have down that we discovered most folks were asking was: will the harmonized E&H tax use the GST definition on snack foods? And of course I guess most people think that a few potato chips aren't that important. But the reality is that a lot of people do eat a lot of snack foods, and it's a big item out there. And a lot of folks were quite concerned.

The answer we got was yes, the harmonization means that the tax base definition for the two taxes would be the same. For snack foods these definitions would take effect on April 1, '91 and Saskatchewan would use the GST definition for restaurant meals, snack foods, and basic groceries to determine what is taxable and what is not.

It is our hope that the difficulties of the GST in handling certain snack foods such as yogurt and baked goods would be simplified over the coming months. And certainly that was being worked on. And I would suggest to the new government that this might be one area where you would really question things if you ever went into this form of taxation to replace this, now being cancelled, expanded PST.

Somehow, in my mind, I think possibly that part could have been adjusted or left out, and we wouldn't have had to have that in. And maybe it could have still been harmonized to the point . . . or synchronized so that we could have used one collection agency without having to collect both sides of the tax on things like snack foods and six doughnuts instead of 12, or whatever some of those definitions were that all of you heard during the election campaign.

The next question that we heard was: the merchants of Lloydminster who have to compete with their Alberta counterparts who do not have to collect an Alberta sales tax, how are they affected? And the answer was that we have a policy in place to handle the discrepancies in Alberta and Saskatchewan's taxes now in that region. That policy would remain in place, and we will be examining the issue in 1992.

Well the reality of course of that statement is that Lloydminster was given a special exemption to having to pay the provincial sales tax some time ago. And that is still in effect, and it's a shame that we can't all afford somehow to live without taxes and we could have that program in the whole province. But obviously I don't think that will happen very soon, even though a lot of

people did think that that in fact was what was going to happen when they went through the electoral process and heard that the PST was going to be removed. And they didn't hear the part expanded PST in that statement. They sort of wishfully thought that it would be all of it. And they just heard the PST's going to be coming off; they didn't hear the word expanded put in front of it.

And I don't really blame the members opposite for that. You've got to blame people I guess for jumping to conclusions, and they have to take some responsibility for their thoughts themselves as well.

The next question we used to get was, which government is going to do what in the administration of this tax and what do you mean by a commission after 1993? And the new government might want to take that into account because the answer here could help them to formulate some of their plans.

The answer was the federal government would administrate the harmonization tax on a day-to-day basis. The province would direct the audit responsibility in Saskatchewan. And that was good, because we were going to direct the audit part of it. And I think any provincial government, and especially the one we have here, would want to be sure that if they get into any kind of a tax deal with the feds in the future as a result of having to remove this tax, and if you're looking at a new one, you're going to have to take a look possibly at doing something with the federal government, be sure that you do consider getting a hold of this idea of being in charge of the audit. Because that gives you basically control of seeing to it that things are done right and that you get your share.

The independent GST commission idea was examined during the federal-provincial national sales tax discussion before 1989. And the commission would be independent from Revenue Canada and its provincial counterpart. And it would direct the day-to-day operations of the harmonized tax.

And that's important if you're going to set up a commission. And I believe that you probably will have to find a way of producing revenue in the future, and you may have to go into some kind of a joint program with the government. And it's important that you do have commissions set up to make things right, and it's important that you take these kind of ideas into consideration.

Next question we got was, now that I have begun adjusting to the GST, will I have to reinvent my entire farm accounting procedure again? That was naturally a question that we got, Mr. Deputy Speaker, in our area, being that we are to a large extent a farming community.

Then it was a big concern, because farmers are trained to work with the land, and they're trained to work with an awful lot of chemicals and an awful lot of machinery, and they know a lot of things about a lot of things. But they're not accountants, and they're not lawyers, so it was important to them to know just how this program would affect them. And the new government might want to take into account the answer there in the event that they do



decide to reintroduce some kind of a taxation form to bring in the revenue that they're going to lose as a result of cancelling this particular expanded PST through Bill 3.

Now the answer was no; the harmonization tax will be designed to fit right in with the filing system of the GST. Once the tax is fully harmonized, all that will be changed are the numbers you enter on your GST form. Once you have learned the GST system, harmonization should pose no additional adjustment problem. You see, you were just filling out one form and doubling the figures in most cases. It just worked out naturally.

And you can see why farmers and ranchers were starting to change their mind as the member opposite over here had pointed out, from Arm River, in his statements. So you can see why, even after the election, they had come to him and admitted that they'd voted for one of the other parties because they thought the PST was so bad.

But after they had thought about it and after the election process was over and they'd gotten a chance to study it further and realize that they actually had an advantage here . . . they were going to get all of the PST and all of the GST back on one application form. This was a bonus for farmers and ranchers and people in business and industry. And a lot of them didn't understand that at the time.

And so we, I guess, who are members of the Conservative Party, have to admit that we didn't educate the folks out there well enough. Otherwise they would have seen the light of that before the election. And we don't fault you folks for that, but we do ask you to take note of it if you're planning on bringing in some kind of a program in the future, to make sure that you use these guide-lines so that you can produce a fair and equitable tax system. Obviously you're going to have to have one some time to replace the revenues that you're now losing.

The next question I had from my constituents was that on April 1 taxes on tobacco were increasing, and why not on liquor? And that was kind of a frivolous type of a thing, I suppose, but to some people this is very important. Now I don't particularly smoke at all, so I suppose maybe it's not of a concern to me, but I'm sure that some people do.

(1545)

So just for the record, I'll read you what our answer was in case you ever need it in your deliberations on a new tax. The answer was, increases in the tax on tobacco products will raise over 25 million per year and will increase the deterrent to the consumption of this harmful product. The increase also places Saskatchewan in line with other provinces which include tobacco products in their sales tax base.

The province taxes liquor for similar reasons, however previous increases in provincial mark-ups and taxes have brought Saskatchewan liquor taxes to a point where they are already high in relation to other jurisdictions. To further raise liquor taxes at this time might jeopardize the province's brewing and hotel industries. And for sure we have to be careful of that. For simplicity purposes, the tax rate on liquor will be adjusted to match the general rate

while prices will be maintained through adjustments to the mark-ups.

I think possibly when we take off this tax in Bill 3, Mr. Deputy Speaker, we have to consider again where we're going to make up that revenue. And again the liquor, tobacco, and hotelier business is a natural target, just as some of our larger industries are natural targets as cash cows. It has in the past always been that liquor and tobacco are a taxation cash cow for provincial governments.

And I would suggest to the new government that they take a real hard look at what they do if they decide to introduce new taxes and not kill our hotelier industry because they are in enough trouble already without having some more heaped on their backs.

The next question we got was, won't my carrying costs increase under a harmonized tax system? The answer was no, because most major farm expenses are tax free, carrying costs between time and payments and time in refund of the harmonized tax should not amount to very much. Most farmers have the option of filing annually, quarterly, or monthly, depending on their accounting methods. The more often you file, the more often your returns arrive, and the less carrying charges you incur. And I think that was an important feature in the protest and one that is now not going to be in play as we determine to remove this tax if we pass this particular Bill.

And of course I suppose there's always the hope that maybe someone would reconsider after all these remarks and they might decide to do something else.

The next question we got . . . And just in passing, Mr. Deputy Speaker, those that enjoy heckling in the House won't enjoy it so much when they realize that I'm handicapped and don't hear and as a result am not hearing them. All I hear is noise. So if you really want me to know what you're saying, you have to write it down and send a note. It's probably the handiest thing that a politician could ever have; I've been turning it off pretty regularly this afternoon.

The next question we got, Mr. Deputy Speaker — and I think I should carry on so that the folks across don't go to sleep on me — the next question we got from our constituents was, how can the government argue that it is saving businesses administrative costs when 130,000 Saskatchewan businesses must comply with the new tax while only 35,000 complied with the old tax? And the answer to that was when harmonization was completed, businesses in Saskatchewan would no longer have to comply with the E&H tax but instead will be complying with the tax which is identified in nature to the federal GST.

Since 130,000 businesses in Saskatchewan which must comply with the new provincial tax will already be complying with the federal GST and only one tax administration will be in effect, there will be very little additional costs associated with complying with the new harmonized tax. The Canadian Federation of Independent Business has estimated that the cost of complying with the provincial sales tax is about \$1,380

per business per year. Therefore the 35,000 Saskatchewan businesses who must currently comply with the E&H tax will save tens of millions of dollars in administration costs.

That was pretty significant, Mr. Deputy Speaker, and I think possibly the members across should take note of that because they're going to have to come up with a very comprehensive plan of taxation in the future if they're going to balance our economy.

It should also be mentioned that there is an unfair compliance cost burden placed on businesses that must comply with the current E&H tax relative to other businesses which do not have to comply. Currently 35,000 businesses incur the entire cost of complying with the E&H tax. Once we have harmonized, the compliance cost burden will be shared by all businesses.

Now furthermore the current compliance cost burden is born disproportionately by small businesses, and the CFIB (Canadian Federation of Independent Business) estimated that small businesses incur compliance costs of 22 cents per dollar of tax collected while large businesses incur costs of 1 cent per dollar on tax collected. Now isn't that significant, Mr. Deputy Speaker — that much difference in taxation in just the way you handle things?

And the new government of course is being faced with the need to raise revenues if they're going to balance the budget, are going to have to go into a very complex system of taxation if they want it to be fair across the board through the whole province.

So my suggestion is that you take these measures into account and include them when you decide to vote this particular Bill through and you decide that you're going to take the expanded PST off. I suggest to you that you are going to fall short in revenues and you're going to have to bring in a new tax system of some sort, and I hope that you will take these matters into consideration.

The next question we had gotten was, what will the two governments save in administration costs of harmonization? And the answer to that is interesting. It is expected that about \$5 million per year will be saved from a single administration of the GST and the provincial sales tax. Now they thought at that time \$5 million — that's a lot of dollars. This saving will be realized over time as staffing levels reduced, and attrition and administration efficiencies are realized.

Currently about 250 federal and provincial employees are involved in the present dual sales tax environment. It is expected that considerable reductions will take place over the time once the two sales taxes are fully harmonized. And it is important to note that no staff lay-offs would result from harmonization. Reductions in personnel would occur from attrition.

Now that was important because people are important in our lives. And you can't just go out and say, well here we've got one group of people collecting the tax and there you've got another group; we'll fire this bunch and let them do the work. Because then you've got these group of people without a job and that wouldn't be fair.

And so we caution the new government that if you go into a program like this, and I assure you that my feeling is very strong that the federal government is going to be pressing you to go along with some kind of a program of a harmonized or synchronized tax system — you can call it a different name if you want — and in that process they're going to be pointing out, here you can save some money by letting this group collect the tax and this group here won't have to be paid any more.

So you'll have to be very careful that you treat your labour right and use a formula that will allow attrition to be the measuring stick of how you reduce those jobs and reduce that cost. And take care of your people because people are the real thing that matter in our society. If it wasn't for people, we wouldn't have to have taxes to start with. So let's treat them right and be careful with this.

Next question was, how could you say harmonization will be more simple since the GST creates a lot of paperwork? Now doesn't the Saskatchewan GST just add paperwork? And the answer to that of course was no.

The fact that the GST is firmly in place means that businesses dealing with the tax now face the paperwork associated with the GST-styled taxes. It had already become a reality, and we were convinced at that time that there was no way that we were going to get the government to cancel GST. So not being able to cancel the GST, then this answer follows through. However the harmonization of the E&H tax with the GST actually eliminates the paperwork formerly associated with the provincial retail sales tax.

Once fully harmonized, the businesses collecting the two taxes will only have to report to one sales tax administration. That will be a reduction in paperwork. And this will be similar to the fact that businesses without income tax on behalf of their employees only have to deal with one income tax administration. And so you see it actually was going to bring some benefits right down to the business of keeping the records.

Next question we ran into, Mr. Deputy, was that do you think the harmonization can work without other provinces getting involved? And the answer to that was yes. Since Saskatchewan sales tax generally applied to activities inside the provincial borders, if the other provinces harmonized fairly soon, there is some possibility of developing a true national sales tax. And I really believe that we should have had a national sales tax strategy associated with this whole thing. But of course that wasn't in play at the time and so that didn't happen.

But I hope that this government will take note of that and push hard to try to have a national approach to taxation. Because a long time ago, if we in this province had synchronized our tax system with Manitoba and Alberta, we'd be so much better off now in terms of being able to administrate on a balanced basis between provinces and having people feel that in Saskatchewan we were getting the same deal that people in Alberta, for example, are getting. And instead of having them charged 700 or \$800 per family for medicare and us having a sales tax, we could have harmonized.

And I'm not going to stand here and fall into the trap of saying which side has got the better plan. The truth of the matter is that either plan works. They are working for people on both sides. But it would be so much more beautiful for us in Saskatchewan if we had one or the other for both of us and were all equalized and balanced.

And wouldn't that be a great advantage for a government who finds itself in the kind of position that governments in Saskatchewan have always had, and that is to have the sales tax encouraging people to leave the province to do their shopping.

Now the next question was, do you think that harmonization can work . . . No, I'd better get on to the next page here. I think I already did that one.

**The Deputy Speaker:** — Order. Order. I wonder if I might have leave of the Assembly to introduce a guest here today.

Leave granted.

### INTRODUCTION OF GUESTS

**Mr. Van Mulligen:** — I want to draw members' attention to Simon de Jong, the Member of Parliament for Regina Qu'Appelle who has joined us on the floor. Welcome.

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

### ADJOURNED DEBATES

#### SECOND READINGS

##### Bill No. 3 (continued)

**Mr. Goohsen:** — We're very happy to have guests introduced, and certainly it was nice to have a chance to have a drink of water.

I'll carry on with the answer to that question, Mr. Deputy Speaker, just in case some of the members may have missed the question. I'll just repeat that; it's a very brief one. Now it said, what is the GST advisory committee? A lot of folks I don't think realize that there was going to be such a committee. And in case the government does decide to vote on this particular Bill and remove the PST, they may find themselves in a position where they'll have to bring in some new kind of a tax system, and it may need such a committee. And it would be good for them to understand how the old process was planned so that they could bring it into play in any of their new programs.

The answer was that the GST advisory committee was appointed by the Hon. Lorne Hepworth at that time. And of course the Minister of Finance now is someone else, and that person would be in charge of a new committee. And on May 16, 1990, it was made up of a number of Saskatchewan citizens who represented a diversity of groups and interests including business, labour, consumers, and farmers and was chaired at that time by a Mr. Wright from the Government of Saskatchewan. And the committee tabled its report on August 27, 1990.

In it were several recommendations addressing the questions of Saskatchewan's response to the introduction of the GST. Chief among these recommendations was that Saskatchewan should move as quickly as possible to harmonizing the education and health tax with the GST.

Now it just goes to say that a little bit of research is good, I guess. And they did that at that time, and I'm sure that a new government would have to do that same sort of thing. You would have to set up that kind of a committee in order to make sure that you didn't fall into the pitfalls of maybe introducing something too quickly or getting it mixed up so that you wouldn't in fact have that balance of taxation that was really intended to do to start with.

The next question we ran into through our campaign out in the country was, when will legislation be introduced to harmonize the provincial sales tax? And of course that was already done. And I don't think I have to bother you with the answer because I think you already all know that. But it was a concern to our people out there because they were preparing it that time for the bookwork.

(1600)

And the next question was, why is Saskatchewan not following Manitoba in enforcing tax extra pricing? Now that's kind of a complicated word, isn't it? And so the answer was the GST legislation allows businesses to choose how they will display the application of the GST to the prices. There are two options: tax included in the price or tax added at the cash register, tax extra. Now one method may be more appropriate than the other, and this may only become evident after the tax has been in place for many months.

We currently are in the early stages in the evolution of the GST in Canada and it has only been fully operational less than, at that time, two months. But of course now it was a long time. And I feel that Manitoba's move was premature.

I understand that it is currently . . . contrary, rather, to the European experience with value added taxes. There most consumers apparently want to know the final price including taxes before they step to the till. Nevertheless I appreciate the need for consumers to be able to comparison shop. And we are keeping an eye on the situation.

Now looking back on that, Mr. Speaker, my thinking is that the government if they introduce such a tax to replace this removal of the PST is that they might take a look at that European experience a little closer. I've had the experience of being there and found that in Switzerland, for example, they have a 22 per cent value added tax on their goods. And the folks there don't really mind paying it all because they know that it's for the good of their nation, and of course they also have the advantage that they . . . with about a 12 million population, they also have about 12 million tourists going through their country each year. And so if they charge everybody extra taxes that's coming through, then they are getting a lot of tax dollars to run their country from the tourist trade that they wouldn't have if they didn't have a value added tax.

And they're very happy with that because then the government can give them concessions in other areas. And that's very important to a population because if you have taxes from a big group of people from outside coming in to help you pay for your country and the operation of your country, you can have better highways, you can have better hospitals, you can have better everything. And you do it at the expense of the consumers that are naturally going to be there because tourists just like to buy things.

As we went on through the process of last fall, we found that folks were full of questions. And the next one that we had was, how would the family tax credit work. Now I think it's important that the government realize that when they take this expanded PST off in Bill 3, that they are going to be killing this part of that particular legislation and this is something that's going to affect some folks that really genuinely could have used the money.

For example, you take folks on minimum wage or folks that happened perhaps through no fault of themselves to not be able to find work and maybe have to go to Social Services programs for assistance. This is money that \$200 per child was coming in in cash. And you had to spend — I think one of the members told me — over \$2,700 on these taxable items in order to spend \$200. And of course people who are in that kind of financial situation don't spend that kind of money on their kids, I'm pretty sure. So they actually would have had a net gain here of some dollars that they could have used for those children in their families or for the rest of the members of the family.

But I'll read you the answers so that the members opposite can take it into account and perhaps they'd want to continue with that program even with this part of the legislation having been taken off.

Now the family tax credit is a refundable tax credit equal to the number of tax filer's dependent children times \$200. The tax filer with two children would be entitled to a tax credit of \$400, and the credit is phased out at the rate of 5 per cent of family income exceeding \$24,355.

It was a really quite fair thing because those people with higher incomes that didn't need it, of course, then weren't going to get it, were they? See families with two dependent children and incomes up to \$32,355 would benefit from the family tax credit and of course — but not very much — on a lower basis and up to that point. And the threshold is the same one used for the federal government for the GST credit and will be indexed annually for inflation. And I think that's a fair way of doing it.

The credit will be paid four times a year rather, with the first instalment coming in April of this year and that was 1991. And for a lower income family with two children the combined federal-provincial payment will equal \$245 each quarter or \$980 per year. And the refundability of the tax credit means that families who do not incur tax liability, for example those on social assistance, will be entitled to credit.

Now I think that might be something the government might consider doing for folks in our province, even

though we do maybe pass this Bill and remove the sales tax — the expanded sales tax. This portion might be something for the government to consider to help people in situation of lower incomes and help their families to continue.

In general the family income eligibility of the family tax credit is determined on the basis of family income rather than the income of the individual tax filer. The combined incomes of married couples and couples who are living together are the common parents of a child, will determine eligibility for the credit . . . (inaudible) . . . however only one parent will be eligible for the credit. For example, a two-income couple with two children and the per year combined income of \$31,000 will be entitled to an annual family tax credit of \$67.75 on the basis of a threshold of \$24,350 and a tax back rate of 5 per cent. Eligibility of the Saskatchewan tax reduction in contrast is determined on the basis of the tax filer. Tax filers in two-income families determine entitlement separately without including the other partner's income.

Refundability. The refundability of the tax credit means that it is refundable to the extent that the credit exceeds tax otherwise payable. If the taxes are payable the total amount of the credit will be refunded. After social assistance the recipients do not incur tax liabilities. They will receive the total amount of the family tax credit . . . (inaudible) . . . about 24,000 children are part of families receiving social assistance. Another 6,600 children are part of families receiving benefits under the Family Income Plan.

The family tax credit differs from the Saskatchewan tax reduction which is not refundable. The reduction, at the most, will reduce Saskatchewan taxes owing to zero. The tax filer's eligibility of \$800 of the reduction with a tax liability of \$400 will utilize only \$400 of the reduction.

The quarterly payments. Now a married tax filer below the threshold level of \$24,355 with two children is entitled to \$400 tax credit. And it will be \$580 with a quarterly payment of \$145 and the combined quarterly payment would be \$245.

The threshold. The threshold is the level above which the amount of entitlement is phased out or taxed back. There is an income level at which the credit will be entirely phased out so that families at or above this level will not be entitled to the credit. The threshold level of \$24,355 for the 1989 taxation year was used to determine credit payments for December 1990 and April 1991. And the threshold, which is increased for the 1990 tax year, of \$24,769 will be used to determine credits, payments for July 1991 and October 1991 and January 1992 and April 1992.

Now this program is all going to die with the passing of this Bill, Mr. Deputy Speaker. And here we have money that is being paid in cash dollars to people that needed it, who were on the lower end of our income scale, and now they won't be getting that benefit.

And I think that that is something that is going to be a bit of a shock to them, because they have become used to it already now. They've gotten those dollars for the past

little while. And somehow I think maybe the government should consider or reconsider keeping this portion of the program in effect for those folks so that that shock of losing that income won't be so great on their families.

And I think we all agree that there are people that do need financial assistance in our society, and here was a good vehicle to do it. It was based on fairness, it was based on caps of so many dollars for certain income levels. And that was fair and reasonable. And I think it ought to be reconsidered by the government opposite.

The next question that we got was that the federal government provides a GST credit for individuals; what assistance are you providing to low income individuals to defray the cost of harmonization? The answer to that was that this government has established support for the family as a fundamental factor of Saskatchewan tax policy, and for this reason we have directed resources to assist families who have additional costs of raising children rather than individuals.

The general note there was that there is no income tax offset provided to low income individuals as the cost was prohibitive. As well, the assistance would be going to students and to two-income couples with no children. Social assistance recipients will receive some additional benefits due to higher living expenses incurred as a result of harmonization at the 7 per cent rate.

Now of course these are rather technical things, but if the government is planning on helping these folks . . . that this assistance is going to be coming from now because they're not going to get it any more when this Bill passes. And if they reconsider this, they will probably want to keep these same kind of formulas in mind in order to promote fairness. Because obviously if you're going to go in to a program like that, Mr. Deputy, it would be too expensive just to give it across the board to everyone. And if you start with things like means tests and that sort of thing, it gets very complicated, very expensive. And here you have a program that's already been laid out that the government could sort of at least adopt in principle using those kinds of guide-lines and they could bring out a really rather fair system of helping to assist those folks that are presently getting assistance that won't be getting it once this Bill No. 3 is passed and the expanded PST is killed.

And that is one of the reasons, Mr. Deputy, that I'm so opposed to killing this Bill, is the fact that these folks have gotten used to the idea of having that \$200 per child tax credit and now they won't be getting that. And I think it's very important, especially going into Christmas season here, that we have these kind of programs not just jerked away from people that were sort of expecting to get some cash relief. And we know that \$200 is not much money to me and you and probably the rest of the folks here, but to a lot of people out there a couple of hundred dollars per child is a lot of money and it counts, especially just before Christmas.

The next question we were asked always here was, will the harmonized sales . . . the provincial sales tax be a fair tax? And the answer to that was — from our researchers again that researched this — was that the Government of

Saskatchewan had taken steps to ensure that the harmonization package is fair as possible.

The family tax credit will provide offsets to lower income families for the additional taxes resulting from the harmonization; raising their high income surtax from 12 to 15 per cent will increase the share of taxes paid by higher income earners. Taxpayers in the long run will benefit from harmonization through lower costs and increased economic activities. Increased economic activities will lead to more government revenues which can reduce the need to raise taxes in the future. And that I think was very important.

The general note that they had added here was that even though the higher income taxpayers will pay more sales tax than lower income taxpayers under the harmonized system, the new system does not enhance the progressiveness of the tax system because lower and middle income earners will experience a greater percentage rise in taxes. However the high income surtax does increase the progressivity of the measures. The individuals earning 250,000 per year will pay a thousand dollars more in surtax due to the increase in rates.

Now that brought fairness into the program. And here we have this Bill 3 going to be passed any time now. And when it's passed we're not only going to lose the tax credits, but we're also going to lose what was a very fair and broad based tax system. And in its place we're going to have to have either a tremendous amount of reduction in expenditures, or else we're going to have to have an increase in taxation in some other field or with some other kind of tax based program.

And I can't for the life of me imagine what that tax system is going to be, but I'm convinced, Mr. Speaker, that somehow they will bring in some kind of a tax that will generate these revenues because I cannot see that the government has the will to reduce the services that the people of Saskatchewan have become accustomed to.

You saw how quickly people panicked when we suggested the possibility that someone might have to pay for any part of health care. I mean, it was almost like people were ready to just panic — that's the only word I can think of — because they didn't want that tampered with.

So the government finds itself in a position where they can't take services away. They've eliminated, through Bill 3, the basis of gathering the revenue and they're left short. So they're going to have to come up with some new tax system. And when that new tax system is brought in for the folks opposite to take into consideration the approach that we were taking when we considered this approach to taxation . . .

We found that the question was asked, why was the amount of \$200 chose for the tax credit for the family and for children? And why would it be mailed out quarterly? I think the answer to that might be obvious to a lot of folks, but our researchers came up with the idea that the amount was chosen to approximate the additional taxes experienced by low income families as a result of harmonization, and their credit payments will be mailed

out quarterly to provide advance assistance to help recipients defray the cost of the additional tax that will be a result of the harmonization.

(1615)

In other words, it was designed to give folks help before they incurred the problem. And I think that was a good idea and it's one that the new government should consider. And as I've suggested a few minutes ago, Mr. Speaker, it's also my opinion that the government might consider keeping these tax credits in for low income people, even though this particular passing of Bill 3 is going to take it away. Because the shock of not having that money is going to be pretty tough just before Christmas.

The family tax credit will leave families with income less than \$20,000 better off — they actually would be better off financially. And that was good and it was fair for low income people, and most of the hurt would be removed from the family's income up to \$25,000. And I think we all realize that folks that make more than \$25,000 a year can probably make out not too bad in our society, but those folks under that of course needed that kind of assistance.

And I'm quite happy that the former government had that kind of a compassion and that big of a heart for the families of this province. And they saw to it that people with children who are on fixed or low incomes were going to be taken care of in that way. They did a lot of work, a lot of research, and I'm happy that they did that. And I hope that the new government will take that into account when they bring in some kind of a tax program or whatever they decide to do.

The next question that we ran into was: isn't this a regressive tax? And of course that's important to a lot of folks. And the answer was: there is an inherent regressiveness in all sales taxes in terms of their insensitivity to the concept of progressiveness. This is the reason the Government of Saskatchewan is introducing some other tax changes along with the harmonization. These include the introduction of the family tax credit for low income families, increases in the corporate capital tax rate and the corporate income tax rate for larger businesses and an increase in high incomes surtax. The result will be a continuation of the government's ongoing commitment to fair taxation.

Now when the new government finds itself cash poor and short because of passing Bill 3, they might want to take that into consideration. And certainly if they don't, they'll find themselves being blamed by the people of Saskatchewan for not being fair and not bringing in a balanced tax system.

And this was the problem with this whole process, was that in order to be balanced, in order to be fair with taxation, you had to bring in such a complicated plan that most people just didn't understand it. And you didn't have enough time to educate folks as to what it really meant or didn't mean. And of course the NDP found themselves on the platform at election time thinking that well, if you kill a tax, you're bound to get votes. They

never thought about the implications of being short of revenue. They only had that need to win and I don't blame them for that. That's politics. That's natural. But that's what they did and now they've got their backs against the wall.

And we're going to suggest, Mr. Speaker, that they'll have to come up with some way of getting revenue and they may have to find themselves changing the name of this particular plan and bringing it in in some other way. And if they do, we want them to know the answers to the questions that we have faced so that they can bring in a fair taxation system.

The questions was: how much more taxes will the average household pay? That was the one that most people were interested in. They wanted to know how much they themselves were going to have to pay because most folks think in terms of what comes out of my back-pocket as being the most important thing of the day.

And the answer was that the average householder will pay an additional \$535 in taxes. Now I don't know how they manage to figure these things out so close, but there are people who are professionals in our society whose job it is to be able to figure these things out, and they came up with an exact figure of \$535 that they figured it was going to cost.

And the average increase in taxes for a household is as follows: for a single parent it was \$440; for married plus two was \$780; unattached individuals was \$315; and all households was that average of \$335.

Now note the average household rather than an average family was used, because the total tax increase for the married plus two is 780, and the family credit is phased out before one gets to the average married plus two income level, as the average income of this group is \$49,000-and-some-cents there.

Now when you have a tax program, you have to have consideration of the impact. And we got the questions of: won't this tax have a tremendous inflationary impact? Our experts came up with the answer, Mr. Speaker, that no, like the GST, expectations are that the result of harmonization will be a modest one-time rise in the rate of inflation. This is expected to be counterbalanced over time by increased growth in the economy which results from lower business input costs which will in turn create investment and employment.

Now that was their answer, and I think probably it looked to me like it would work that way. So if the new government finds itself bringing in a tax, obviously they will have to take that into consideration as well. There's going to be some impact always on the rest of the economy around you when you increase a tax, just as there may be some impact when you pass Bill 3 and take this PST expanded portion of the tax off. You're not only going to impact just the people who don't get the \$200 tax credit, but you're going to impact some other folks as well.

Now next question we ran into was: can I really save money under the new provincial tax system? And the

answer to that was yes. Under the old education and health tax, many purchases you made for your farm operation may have had some retail tax embodied in the price from the previous transactions. This was true for both exempt and non-exempt farm purchases. This type of tax cascading will be completely eliminated by the flow-through mechanism of the harmonized tax system. All tax from all levels of production is ultimately passed on to the final consumer of a good or service. As a result, the cost of production for many businesses including farms will decrease substantially.

Now I think that that is the part that a lot of folks missed, was that in fact you were going to pay less taxes on your business inputs. And that made our economy work better. And that was, I think, probably the fairest part of this whole tax system, was that we were going to allow people who were in business — farmers, ranchers, people who ran all kinds of other business, gas and oil industry — they all would get that tax back on those things they bought to go into their businesses.

That freed up more cash to invest back into their businesses. That meant that there was more goods and services being used, more generation of that circling effect in the economy. And that's what money is for. That's what it's good for in our economy, is to spend and to create activity and to get things rolling. And that's what this was going to do in a lot of cases, especially in my constituency, Mr. Speaker.

The next question was: what about the negative effect on the consumer demand that harmonization will cause? And like the GST, the base-broadened focus of harmonization is expected to have short-term dampening effects on the consumer demand, especially on goods and services which were previously untaxed. Once the consumers adjust to the new tax system, however, demand is expected to return to normal levels. And the long-term growth effect which results from a simpler and more efficient tax system will benefit everyone.

And the truth to that was in the restaurant industry, although I know there's a lot that won't agree with me. But my opinion was that the last couple of months I went in a restaurant, I saw just as many people there as I ever did before, and I never saw anybody pass up a meal.

So I think the system was actually working the way that these conclusions had worked out.

But now we're going to be taking this expanded PST off, so most likely we will have to find another way of producing revenue.

The next question we ran into was how much E&H tax was being paid by businesses, and isn't this amount just going to be transferred to the customer? Now the answer to that that our experts came up with was that approximately 60 per cent of all E&H tax revenues were paid by businesses. And when the E&H tax is fully harmonized, businesses will be eligible for input tax credits and the tax will be born undeniably by final consumers.

However the E&H tax was often built into the price so that

the tax was passed on to customers in that way. And that will not happen now, but now how this exactly washes out is difficult to estimate at that time. And I'm sure that as time went by it probably did wash out.

And we have just one final question here I guess, or two, that folks asked me. And I do want to pass them on because I think the government's going to need the answers to these questions as time goes by.

The next question we found out, or that we were asked rather, was that, what are the economic impacts of harmonization? And that's important to know. It's important to know what the impacts of harmonization would have been if we'd have kept it into place. Because we may still want to reconsider this and go into it. By harmonizing the GST, Saskatchewan's economy, the real gross GDP, is expected to grow by 1.6 per cent at that time.

Now since businesses' inputs will be tax free under the harmonization tax system, the cost of the capital will decrease. Thus capital intensive industries like agriculture will experience the largest increase in inputs and the primary industry expected to grow by about 2.8 per cent.

Now that was good for Saskatchewan if we could get that kind of growth. Growth in the Saskatchewan economy will lead to an increase in the demand for labour. Harmonization is expected to generate in excess of 5,000 jobs in the province. Now wouldn't it have been nice if we could wait and see if that could happen instead of just sort of jumping in right away and taking it off.

However there will be the transitional period where prices in Saskatchewan will increase due to the harmonization and that was proven out to be a fact. We just didn't have time for the rest of the program to actually come into effect.

Now the federal government estimated that Saskatchewan would experience a 1.7 per cent price increase if we participated in the national sales tax at a rate of 7 per cent. And the price actually increased more than 1.7 per cent and the benefits may take longer to realize. However in light of the current recession the price increase may be smaller than predicted since businesses currently have an incentive to pass on all tax savings from the removal of the E&H tax.

As well the wage price spiral is not likely at this time since the current recession has reduced the demand for labour. Now that was unfortunate that we happen to run into a recession just at the same time that we were bringing in that new tax system seeing as how we were trying to make that particular point, Mr. Speaker. But I'm sure that under normal circumstances — and we will get back to normal circumstances as time goes by — this kind of a program might still be something that the new government will consider and they may want to try it and they may want to borrow this particular document from me, and I can assure you that I'd provide it to them so that they can study it and they won't fall into any of the pitfalls that the previous government fell into.

Now I have one final thing here that people ask me, and that was, what is the economic advantage of removing the E&H tax in favour of the PST? The answer to that was that the E&H tax is levied at the retail level because it is intended to be a tax on consumption. And it's important, folks, to take this into consideration, because there's different forms of taxes, and a consumption tax is quite a bit different than the others, Mr. Speaker.

However, businesses often purchase inputs from the retail level, and therefore end up paying tax on their inputs. As a result, businesses can either pass the tax on to their consumers in the form of higher prices, which leads to a tax cascading problem; absorb the cost of the tax in the form of lower profits which reduces business investment; or maintain their profit margin and pass the cost of the tax back to the labourer, which means lower wages for labour.

By removing the E&H tax and replacing it with the value added tax, Saskatchewan businesses will benefit by having all sales tax removed from their inputs. This will allow businesses to compete with imported goods on equal footing, and they will be able to compete more effectively in the export market.

Now that was important. We have to be able to compete in the export market in Saskatchewan.

This provides a tremendous opportunity for Saskatchewan economy to diversify, since goods which previously had to be imported into Saskatchewan because it was uneconomical to produce them here, can now be produced in Saskatchewan if in the export market, existing companies will be able to export more, and new companies will now find it profitable to begin exporting their products.

Now this is what we're going to lose when we pass this Bill, my friends. When we pass Bill 3, that's what we're going to lose — the whole impact of what this balanced tax system was intended to do. I realize it was complicated, I realize that it's tough to understand, and it's always difficult to accept very complicated programs. But there was a lot to be said in here and a lot was said and it could have helped our province and maybe we could reconsider what we're doing here. Because of all of the things that we've pointed out this afternoon that could be of benefit to the Saskatchewan economy . . . and to the Saskatchewan people.

We have another question that was asked of me here and that was: how can the government justify introducing this tax during a recession? And that was a good question because we were certainly in a recession, and we certainly are. But the government will still have to raise revenue and even after they take this off. So it's important that they have the answer to that question as it was discovered by the researchers that did this particular research, because obviously they were not politically inclined people, they were people that were employed to find the answers to legitimate questions.

The government's harmonization initiative is forward looking in that it places the economy in a position to take full advantage of the growth potential that will be

available once the recession is over. By removing the tax from business inputs, harmonization will effectively reduce the cost of capital goods in Saskatchewan, making the province an attractive place to invest for residents and non-residents.

(1630)

Now that was important. This, combined with the effect of lower interest rates, which are currently at their lowest level in several years, places Saskatchewan businesses in a position to be able to expand much more dramatically than would otherwise be the case.

Furthermore, price increases will not be as severe in a recession as would be in the case of an expansionary period. Businesses will pass the savings from the removal of the E&H tax on to their consumers which will ensure that the benefits from harmonization are realized as quickly as possible. If the economy were in an expansionary phase there would be less incentive for businesses to pass the savings on to customers which may postpone the benefits from harmonization.

Now isn't that something? That here in one stroke of the pen we're going to take and destroy with Bill 3 all of this work. There's a lot of work in there, a lot of research and a lot of balance and a lot of fairness.

And I say again, we didn't like the tax to be put on because nobody likes tax, but we had to have money to run the province. You will have to have money to run the province, and you're going to either have to accept this kind of an approach or you're going to have to accept some other kind of approach of either higher taxes or else reduce services or else you're going to have a deficit like Ontario. And we can't afford that, Mr. Speaker. And with those remarks, I'd like to close my argument against Bill 3.

Thank you.

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

**Mr. Neudorf:** — Thank you very much, Mr. Speaker. In the interests of time, I will not deliver my usual lengthy . . . (inaudible) . . . scintillating speeches, but I will rather try to be somewhat succinct this afternoon, Mr. Speaker.

I think that it becomes obvious that some of our speeches, because of the depths of our feelings, have been somewhat lengthy. But I will, as I said before . . . I've taken out every other page of my speech to make sure that it's not going to be too long and give me an excuse for being somewhat disjointed at times.

But the other reason why I'm not going to be all that lengthy is because of a threat made by the Minister of Finance about half an hour ago when he suggested that one ways in which he's going to raise money might be to start taxing speeches on the number of pages that were delivered, Mr. Speaker. So I will take that to heart, as a desperate government trying to raise money, at any cost.

So I would like to commend my colleague, the member from Maple Creek, simply not only for the number of many points that he brings out and the length of time that



he can take to do them, but something that is rather — let me finish — something that is rather surprising in this House that he makes sense at the same time all the time. I would certainly commend him. And I would tell all members of the House right now — and you've heard it here first — that in four years time that man is going to be a member of cabinet if and when the Premier has the courage to call an election.

Mr. Speaker, I see I'm getting to members opposite. I do not have the advantage that the member from Maple Creek has in that he can turn his hearing aid off at any time when the members opposite start heckling him, so I do have to put up with the comments from across the way. But, Mr. Speaker, I do want to put on record and that's the reason why I'm getting up at this stage is to talk in a serious vein about Bill 3, the E&H tax.

It was something that the former government did because it is something that we believed in. Not, Mr. Speaker, because we enjoy adding taxes. Governments do not like to tax because it does not make them popular. And citizens in the province of Saskatchewan do not like new taxes because it means more money out of hip national to pay those taxes.

But, Mr. Speaker, members of my constituency said to me during the election, we don't like this tax. Some of them probably voted for someone else other than me because of the tax. But I'm proud to stand here in this Legislative Assembly now in spite of that, with a plurality that many members opposite could only dream of and wish for. We have the landslide member from Rosetown-Elrose and Assiniboia-Gravelbourg and so on, mute testimony to that fact.

But at the same time, Mr. Speaker, governments do have to take their responsibilities seriously. And governing is not always a popularity contest. And while oppositions have the luxury of saying we will take away taxes, we will reduce and eliminate the deficit but at the same time we're going to have more money for universities, for hospitals, education, and all the other kinds of things, governments cannot say that unless they're prepared to eventually put up.

Now, Mr. Speaker, I think history will prove us right. I think history is going to say that the NDP for short-term gain have inflicted a long-term pain on the citizens of Saskatchewan. The short-term popularity I think in the long run is going to prove their undoing.

Now I'm not going to go through the whole business that my colleagues have so effectively covered through, gone through, but I do want to touch on a few key points. And that is that the history of the development of this tax is one of half-truths, of cavalier statements, of misinformation supplied to the public by the now Premier, and certainly by his former Finance critic.

And I want to trace just a little bit of that history, because while synchronizing the education and health tax with the federal tax, when it was first discussed, what did the representatives of the NDP say? The now Premier, then member and still member of Riversdale, issued a news release dated October 3, 1990 which said, and I quote:

The fairest and most sensible way to proceed would be to harmonize the two sales tax. End quote.

And February 21, 1991, the Moose Jaw *Times-Herald* said, and I quote: Harmonization was recommended by NDP MLA (the current member for Churchill Downs) who felt it would be simpler to have one tax. End quote.

On the same day in the *Leader-Post* we read, and I quote: An NDP government would harmonize the taxes but at a lower rate than the combined 14 per cent, said the member from Churchill Downs. End quote.

Mr. Speaker, they would harmonize, but a lower rate. Well whoop-de-do. There we have the history of the NDPs. But however a month later the NDP Finance critic repeated the party's position on March 15, 1991 in the *Leader-Post* and I quote: NDP Finance critic stated that his party supported the harmonization of the two taxes but added they would lower the rate. It makes much more sense to have one tax rather than two, he told reporters. End quote.

We'll do it. We'll do it but at a lower rate. We don't like the way the PCs (Progressive Conservative) are doing it; we'll just do it a little bit differently.

So when discussing the choice between a side-by-side tax — which this Bill will restore — and a synchronized tax, when that choice comes down, the NDP Leader, the Premier now of this province, on October 4, 1990 in the *Leader-Post* said, and I quote: The NDP Leader called applying the GST and the provincial sales tax side by side a second-best option. A second-best option, Mr. Speaker.

And I can continue on. When the federal government first announced that they were intending and committed to implementing the GST, I had the opportunity, Mr. Speaker, to represent the PC, to represent the then minister of Finance, Lorne Hepworth, in Weyburn. We were in Weyburn and we had an all-party, all-candidate discussion. And the member from Churchill Downs was there representing the NDP as their Finance critic. I was there representing the government at the time. And we even had the Reform member Deborah Gray was there as well.

And the discussion was based on the fact that one tax, one harmonized tax is better than the other. And the member from Churchill Downs reiterated his statement at the time. And of course my main concern at the time — and still is, quite frankly — the complexity of the GST, the complexity for the consumer, and certainly the complexity for suppliers and the businesses involved.

So, Mr. Speaker, we have the documented history of the NDP supporting the synchronization of the two taxes over and over and over again. They supported it publicly. But then they got into an election — they got into the election mode. And then the question no longer became what is fair, what is the best for the citizens of the province, but what is best for the party, the NDP, and how can we wrench power away from the PCs, the government of the day.

And at that point, Mr. Speaker, their courage and, quite

frankly and bluntly, their intelligence left them.

Once the election was on, suddenly the member from Riversdale had a change of heart. He had a change of heart. The member for Regina Centre stayed silent on the issue suddenly, and we note that that member is no longer responsible for Finance for the NDP, and we wonder why.

Mr. Speaker, in giving up synchronization, this government knows two things — two things. It will have to make massive cuts to the programs and services provided for the people of this province. And we've seen evidence of that already. We know the Minister of Health is reducing the amounts of moneys available to the Department of Health. We suspect it's zero. She says it's one and a half per cent. But already hospitals are very, very nervous. Hospitals are going to be closing more beds.

In fact, Mr. Speaker, one of my residents, one of my constituents is being personally affected by this result right now in that their family was on the way to Calgary and there was a car accident. Their daughter was killed, their son tragically injured as was the daughter-in-law. That was October 7.

They're still in Calgary. And the reason they are in Calgary and are not being transferred back to closer to home and to the University Hospital is not because Saskatchewan air ambulance is saying we can't do it. They're prepared. They're willing. At the drop of a hat, they'll be having the kids back into their local area. But the University Hospital is saying, we don't have room. We haven't got beds. We're closing too many beds.

And so, Mr. Speaker, it's kind of ironic for the party that is considering health to be their mandate, their niche in life, to have this type of a situation developing so shortly after taking power.

And that's not only there; it's also in education. We hear what's going on in SIAST (Saskatchewan Institute of Applied Science and Technology). We hear what's going on in a number of the institutions for kids going to university — tuition fees going up, and essentially no money for education. A zero per cent increase is probably what they're going to be getting.

And again, Mr. Speaker, it's an indication of the price that we have to pay when a government is not able to have the courage and the will to do what is right, but rather looks at the political aspects and the political incentives and convenience for the moment.

So it will have to cut services or it's going to have to make up revenue. It's going to have to make up revenue somewhere because there is essentially a \$240 million loss of revenue that we're going to be facing.

How do you make that up? Well it's going to have to make it up in numerous nefarious ways, I would suggest to you, Mr. Speaker. Education, tax — what's it going to become? Ten per cent flat tax, personal income tax, death tax? All of these issues have been raised by my colleagues. We know it's going to happen, but obviously we don't know

exactly where it's going to happen and who's going to get hit how hard by what direction.

But certainly in looking at one of the ways the government wants to make up the revenue that it's going to be losing primarily because of this Bill, is considering the position and the comments by the good member from Moose Jaw Wakamow. And this is a man who claims that allowing gambling was absolutely unacceptable. And now we're looking at that possibility in this province as a result of what's going to be happening by this disharmonization that is going to be taking place.

And I want to quote the *Leader-Post* of February 23, 1989, where that member that I just referred to said, and I quote: It appears the government is hard up for cash and sees this as a quick fix. In many ways the government is like an individual who might turn to gambling in hopes that it will solve its financial problems, only to find out it leads to more problems. End quote.

(1645)

Now we have before us a Bill now, Mr. Speaker, that creates great financial problems, and the government is looking at and considering gambling as a means to solve that problem. And I would say that that's quite the connection, Mr. Speaker.

In the same article the member called on the government to take more time to allow consideration and consultation regarding the ethical issues of gambling. Well, Mr. Speaker, I'm proud to say actually that the PC government of the time did exactly that. Many of us on the PC benches, whether we were back-benchers or in cabinet, were very uncomfortable with the concept of the government getting into the business of gambling. And I have no qualms about saying that I was one of them. And I have no qualms about saying that we won the day; we did not take that route. We chose to stay out of gambling as far as the government is concerned.

And now we see, Mr. Speaker, that the member from Moose Jaw Wakamow has joined his colleagues in that flip-flop. Well, Mr. Speaker, if this Bill passes we will not only be faced with a government gambling for cash, we will be faced with the unfortunate and reprehensible sight of the Minister of Social Services standing in this Assembly and saying there is no money to keep our commitments to the poor.

The members opposite say the lack of cash is all the fault of the previous government. But, Mr. Speaker, the simple truth is that this government is directly giving up in excess of \$200 million a year in passing this Bill. It is forgoing even more revenue than that indirectly. But if we stick with the direct cost, I can say that the Minister of Finance has tried to play more games with the people when he put out his little report that claimed that only \$72 million as we heard in question period the other day, that there would only be a \$72 million loss. And in committee, Mr. Speaker, we will have some very, very direct questions for that minister.

But the point here, Mr. Speaker, is that the officials in the minister's own department estimate the net revenue next

year to be \$181 million. Now when the Minister of Social Services gets up and says there's no money to help the poor, let us look at what her leader the member for Riversdale said it would cost to totally eliminate poverty in Saskatchewan — the now famous election promise made by the NDP that there will be no poverty in Saskatchewan. That is the election promise that they have made. And I quite frankly consider that to be a grossly indecent promise to make.

Not only did we have someone that was greater than the Peter that they had, saying that the poor will always be with us, but now to try to make election points and gain votes on the back of the poor, of the desperate who will cling at almost any straw to be helped and to say that this is going to happen. But that's an aside that we could get on to and I don't want to, at this point, Mr. Speaker, discuss that issue.

But on the Cable Regina program *Night Views* the Leader of the NDP said he would eliminate poverty and he said that the cost of eliminating that poverty would be about \$100 million per year. That was his figure, not mine. Whether we agree with it, that's incidental at this point.

But in fact, if I could provide the quote from March 20 on that night he said: All of this eliminating poverty can be done and relatively inexpensively in the order of, well, total tab of a \$100 million. End quote. Hundred million dollars.

So I say to the Minister of Social Services, if you vote for this Bill and you are saying goodbye to a \$180 million, probably closer to \$200 million, you are actually eliminating poverty . . . you're preventing the elimination of poverty which would only cost half of what you're giving up by passing this Bill.

So don't say that the cupboard is bare. Where there's a will, where's there's a courage, there is a will — there is a way.

Now, Mr. Speaker, what this government has in store for Saskatchewan as a result of the Bill is rather frightening — the intent to condition the public, I would suggest, with more information that may not be quite on the mark. I would suggest also that in passing that one of the intent of the Gass tribunal to create a political climate of fear and misunderstanding.

They intend to try to convince people that as everything is out of their hands, whoops, they have no control. They have to increase taxes. They have to increase personal income tax, death tax, oil industry tax, payroll tax, as they have in Manitoba. Now that's certainly going to be something to create jobs and stimulate the economy and have that mixed-up economy that the Premier is always talking about that he's a great fan of.

What about the increase in your power bills? your telephone bills? your auto insurance? And, Mr. Speaker, the opposition member responsible for Rural Development tells us that they're now even refusing to pay oil and gas lease payments that they have always gotten.

So I tell you, Mr. Speaker, I would suggest to people that after this government is done, the people of Saskatchewan will look back and say that 7 cents on a cup of coffee was a pretty good deal after all.

Now I want to touch on one more thing, Mr. Speaker, before I sit down on this second reading. And that is that after this Bill is passed — after this Bill is passed — the government's excuses are over. The Minister of Finance, his continual answers to questions is, well it's your fault; it's the previous government's fault. To watch the member from Melfort sit there while her colleagues responsible for Sask Water announces that the contract signed with the city of Melfort to build a water project is under review and may not proceed, that, I would suggest to you, is a highly irresponsible statement and course of action to take. And then to hear them say that, well it's because there's no money and then they bring this Bill forward, that, Mr. Speaker, is not right.

To hear members across the way escape responsibility in every question for every action in every way possible is to be condemned, I would suggest to you, in the strongest way possible, Mr. Speaker. Because sometimes we on this side look at you folks over there and wonder if you really realize that you won. You won the election. You are the government.

And with that government and with that aura of now being a minister of the Crown, ladies and gentlemen, there comes an element of responsibility. And that responsibility means having the courage and the will to do what is right — not politically, but what is right for the people of Saskatchewan.

And in the long term, as I have said before, history will bear out that the decisions that you are making now are short-term decisions, not with vision for the future. And I think in the long term we are going to lose in this province because of the decisions that you are making.

I accept the verdict delivered on October 20 by the people of Saskatchewan. I accept that. And you see the results of this in the distribution of the House in this legislature at this time. But I also accept the fact that the people of Saskatchewan were voting for change and they were voting for a government that would help them out of their dilemma. And all of us in Saskatchewan are in a dilemma. That is no denying that.

But you can't hook onto the people in their desperation and come up with a plan that is ultimately going to be worse for them than the plan that we were offering. So they were snowed, quite frankly, Mr. Speaker, by a lot of the promises made by members opposite not fully explaining their intentions. Now the day after the election, I was in a sporting store in Saskatoon. And the fellow ahead of me at the till was very, very peeved to say the least at what was going on at the till because he said, I don't have to pay this tax. I voted for the NDP and they said this tax was going to be taken off. Took 10 minutes for that storekeeper to try to convince that gentleman: oh no, no, that was only the expanded PST, only the expanded. You're still paying all the rest of this. You're still paying that.

There were some pretty upset people around, and I don't have to tell the members across the way anything new here because they've experienced it themselves. They've experienced it when the minister from the town of Swift Current goes home. He's heard that in the stores, so this is nothing new for these members because basically they're throwing revenue away. They're having trouble coming up with some alternatives and then they turn around and simply say, well it's not our responsibility; it's Ottawa's responsibility, or it's the previous government's responsibility and so on.

So, Mr. Speaker, well I'll continue on until 5 o'clock at least so that we have an opportunity to go to something else at the conclusion of my remarks.

But it's not good enough, Mr. Speaker, for members opposite to simply say it's not all our fault; there's nothing that we can do. Throw up our hands and they say well, we'll blame Ottawa. We'll blame the poor. We'll blame the opposition, blame some athlete. We'll blame some lawyer, anyone. Just don't ask this government to take on responsibility. And, Mr. Speaker, this Bill is an abdication of responsibility. It is a serious abdication of responsibility.

In conclusion of a long road for the member opposite in achieving his role of Premiership of the province . . . and I congratulate him for that. I wish him well in his role as Premier because the better he does, of course, the better the people of Saskatchewan do. And so for the sake of the people of Saskatchewan, I sincerely hope that we will not see this whole rate of tax increases in the many, many areas that exist in lieu of a built-in advantage for the people of Saskatchewan, built-in advantage for the businesses in Lloydminster, around the Alberta border; built in for businesses around the southern part of our province to make them competitive against the Americans. Businesses living just on the west border of Manitoba and eastern border of Saskatchewan, the Manitoba people could only wish that they were living in Saskatchewan.

So, Mr. Speaker, the idea of taking away this tax is going to have ramifications throughout the province. We have the Department of Social Services social service recipients — not only social service recipients, but certainly the low-income members of our society — with the tax credits, with the child tax credit in place, with the GST tax credit in place. And what we as a province were going to do . . . In effect, the people then, the low income people of this province were better off under harmonization than they would have been and will be now under the straight 7 per cent of the E&H that we're going to revert back to for, I don't know for how long, how long it's going to take until the rate there goes up to 10 per cent, or whatever it's going to be.

So, Mr. Speaker, on that basis, I'm going to be opposing this Bill. I'm going to be opposing this Bill because I don't think it's the right thing to do. I stood up in my constituency. I told my constituents that. I told them that I didn't like the idea of books and so on being taxed.

And certainly, Mr. Speaker, we made adjustments there. We made adjustments and we were prepared to make

further adjustments as time went on. But we were certainly not prepared to take the easy route out and simply say to the people we don't have to tax you; we don't need this extra money; things will continue on; the deficit doesn't make any difference. For example, the government in Ontario, the NDP government in Ontario, being the laughing-stock throughout the province, quite frankly, Mr. Speaker, simply because their philosophy is: we will spend our way out of this recession. We will spend our way out. Never mind about the deficit. The deficit doesn't matter.

Mr. Speaker, the deficit does matter. The deficit does matter.

**The Speaker:** — Order. Order. It now being 5 o'clock, I do leave the Chair until 7 o'clock this evening.

The Assembly recessed until 7 p.m.