

July 6, 1992

EVENING SITTING

COMMITTEE OF THE WHOLE

Bill No. 29 — An Act to amend The Education and Health Tax Act**Clause 1 (continued)**

Hon. Mr. Tchorzewski: — Mr. Chairman, I just wanted to introduce a new person who is here, who has not been on the committee before, Mr. Murray Schafer, who's the director of the education and health tax branch.

Mr. Swenson: — I believe that before the supper break the minister committed to bring back some information. One was to do with the gross domestic product that was involved in exports, as far as Saskatchewan went. And the other one was the numbers to deal with consumer spending, both in the province of Saskatchewan and Canada-wide during 1991.

Hon. Mr. Tchorzewski: — Let me respond to the member. Indeed I had indicated I would have some information on the exports.

About one-third of what Saskatchewan produces is sold outside of the province — a third. Two-thirds of that one-third goes into the international market-place. That's the situation there.

The retail trade, I can provide the information and indicate that . . . in fact I think we've got enough copies I can send it over. But it indicates that all of the changes in retail sales in Canada, they vary from 10 per cent drop in P.E.I. (Prince Edward Island) to 6.9, as I've been saying, 7 per cent in Saskatchewan, 1991 over 1990. And then there's 7 per cent in Quebec, 7.5 per cent in Ontario, 3 per cent in British Columbia, and it goes on. So there are some different kind of numbers there.

It's important to note that in each particular province there will be different factors. For example, in Ontario where the drop was seven and a half per cent, that was attributed almost exclusively to the recession and the kind of impact it has had in Ontario, which is very much different than the kind of impact the recession has had in Saskatchewan. Our problem has not been recession. Our problem has been low prices for commodities and agriculture products and so on. But rather than going through it all, I'll just make it available to the member opposite for his information, if I can have a page.

Also there was a request for the education and health tax exemption for farm supplies, farm inputs. We also have that here, and we'll provide that as well. Thank you.

Mr. Swenson: — I wonder, Mr. Minister, on the, say, one-third of Saskatchewan's gross domestic product that is involved in export, what kind of a number would you attach to that. And you can be within a million or two. I don't need it down to the last cent.

Hon. Mr. Tchorzewski: — \$7 billion.

Mr. Swenson: — \$7 million? Gross sales?

Hon. Mr. Tchorzewski: — Okay, the latest number I have here is exports to other Canadian provinces and abroad in 1989 was \$7 billion.

An Hon. Member: — Billion?

Hon. Mr. Tchorzewski: — Yes, with a B.

Mr. Swenson: — You had me worried for a minute there, Minister, that 7 million was the number.

Of that \$7 billion, then, I think it would be safe to assume that the bulk of that would be made up in probably half a dozen different commodities — potash, grain, red meat, oil, gas, that type of thing. I think you would agree, Mr. Minister, that \$7 billion is a lot of money; \$7 billion is something this province can't do without; that these also would be some of our largest employers in the province. And I think, Mr. Minister, from your comments earlier on, that would it not be safe to say, Mr. Minister, that any one of those major areas, whether they be potash or oil and gas, uranium, would have benefitted from harmonization? Would that be a fair assessment of those types of industries?

Hon. Mr. Tchorzewski: — Well, of course, each of those — the potash industry, for example — would have got substantial rebates. But collectively, over all, the economy as a whole would have had a negative impact, as I've been saying all afternoon.

It's a question of how you will establish your taxation system. Potash, for example, probably compares very well in the taxation system, regime, in the province of Saskatchewan as compared to other jurisdictions which the potash industry in Saskatchewan competes with. The United States, for example, it competes very well because their production is extremely expensive. To get potash in the New Mexico mines, everybody knows from time to time they have actually had to shut down because they couldn't compete. So in each individual case, yes, the corporations would have got a gain. No one will question that. But from the point of view of the impact on the economy as a whole for the province of Saskatchewan, it would have been negative.

Mr. Swenson: — Well you see, Mr. Minister, that's the point that we are trying to drive home to you: that our economy, as you mentioned, is different than a lot of other economies in Canada in particular. A lot of other economies, like Ontario, are heavily based on manufacturing and consumer spending.

When I look at this sheet that you've sent across to me, it shows me that in Canada in 1991 the consumer spending was off approximately 7 per cent, if I average these numbers out correctly, all across the country; that harmonization was not a fact in any other province in Canada except the province of Quebec.

So therefore, if consumer spending was off for all of the various reasons in all the various jurisdictions at the same level Canada-wide, then it is absolutely unfair to say that

harmonization was the cause of it being down 6.9 per cent in the province of Saskatchewan.

Therefore, if we had known for instance in 1990 that with the introduction of the GST (goods and services tax) and a general recession in central Canada that consumer spending was going to be off in this province to that degree, I suppose there are certain things that could have been done to mitigate it. But the simple fact of the matter was, Mr. Finance Minister, that Canadians as a whole were very pessimistic, very sceptical of the direction that their economic indicators were showing to them. And they were saying, I'm going to keep my money at home; I'm not going to be the kind of consumer that I've probably been for the last quarter of a century. And they hung onto their money.

So on one hand you have a Canada-wide phenomenon that had nothing to do with harmonization. And you have an economy, and I would put these numbers on the very conservative side, you have an economy that will founder without its export and value added sectors being strong.

And what we've been saying to you all through this debate is that our economy as a whole would have more potential to grow with harmonization than without it. And that some of the tax measures that you and your government have implemented are every bit as harsh because the bottom line is almost identical with the money you're taking out of people's pockets. But we're not getting that surge, that boost that should happen to an economy that has a low unemployment rate, has low interest rates, has zero inflation, and yet we don't see anything happening.

And I suggest to you, sir, the reason we don't see anything happening is that our businesses cannot be competitive with some of the other jurisdictions because of the tax regime that they have around their neck. And that if you're going to achieve those 2,000 jobs you're projecting in your budget, you're going to have to have a way of freeing that up.

So, Mr. Minister, given the fact that fully one-third of our economy here is totally dependent on exports, totally dependent on a favourable environment here to create jobs and employment and pay taxes and royalties, would you not consider perhaps that it would be an equal trade-off to have the consumer in our society spending a little, more with as much mitigation as possible in order to see our economy grow, rather than stagnating it through overtaxation?

Hon. Mr. Tchorzewski: — Well, Mr. Chairman, I think in the tax measures which we have introduced in this budget we have taken that into consideration. We have tried to balance the tax burden as equitably as we possibly can so that the corporate sector pays its fair share, so that the consumer doesn't have to pay all of the increase in the tax. We think that that's only fair. And that does not mean that we do not need to continue to review and revise the tax structure in the province of Saskatchewan. Of course we do.

We have to look at how we can make businesses more competitive. That's why we made the provision in this

budget for a 1 per cent reduction in the small business corporate income tax rate. That's why we made a provision in this budget for a three-year phasing out of the E&H (education and health) tax on the agents used in manufacturing and processing. That's part of the strategy that's in place. The tax structure is continuously under review to address the problem, exactly the problem, that the member from Thunder Creek raises.

Mr. Swenson: — Mr. Minister, how much tax would the federal government collect on our behalf at the border, as they're doing with other provinces, under full harmonization? If we had stayed under full harmonization what would have been the level of tax collected on behalf of the province of Saskatchewan?

Hon. Mr. Tchorzewski: — Right at the present time, under the education and health tax system, we are losing about a million dollars a year, which in the scheme of things is a significant amount of money, but out of \$5 billion not that significant. Under full harmonization it would have been something like \$6 million. We have, through urging by the provinces, convinced Ottawa to start collecting the tobacco and the liquor taxes at the border. There is at the next agenda, on the agenda at the next ministers of Finance meeting, some proposals that will be brought forward, in this case sponsored by Manitoba.

But work has been done, along with other provinces, by Saskatchewan, where there will hopefully be a federal government consideration of collecting the tax on all of those items which are common in the sales tax system across all of Canada which will achieve the same kind of thing as harmonization would have achieved, because Saskatchewan's small base of items on which E&H tax is applied and therefore literally all of the items that Saskatchewan has, would fall under that umbrella.

(1915)

Mr. Swenson: — You see, Mr. Minister, as was pointed out before supper, every time that we discuss a different topic here with harmonization it's as the Leader of the Opposition said, it's another GigaText a year, in your words. I mean we get five million bucks because you saved in the administration and your own department and then it's another six million at the border. And then there's some over here on the child taxing.

I mean the point is, Minister, when you get adding it all up as the former government did in looking at ways in keeping our economy viable, in the face of a recession in Canada which drove off consumer spending 7 per cent, the options get narrower and narrower and narrower, because our economy is so dependent in one particular area, and that is exporting of commodities. Those things were all taken into consideration of what was the fairest means to keep the economy rolling, what would encourage small business, what would encourage big business, what would employ people beyond specific projects. And as I said, it's 5 million here and it's 6 million there and it's 35 here and it's 65 over there and it's 62 there, and it all adds up and basically comes out, I believe, at the end of the day, better than what we have

right now.

Mr. Minister, you keep telling us the election's over with; it's time to get on. The Premier said today, oh go home and get your ball glove and bring it along and play ball. Well, Mr. Minister, I suggest it's time for you to start listening to some of the people around this province.

And I was glad you brought up the Federation of Independent Business people today because they did say harmonization; they just said do it at 5 per cent and not 7. Just about everybody and anybody in this province that has anything to do with the business community says harmonization makes sense over the long haul. We can argue about the rates of implementation and how much money we pick out of people's pockets, but the fact is that in the end it makes more sense.

Mr. Minister, the province of Manitoba just made an announcement as to the agreement that they have with the federal government. Do you anticipate the province of Saskatchewan having exactly the same agreement in the near future?

Hon. Mr. Tchorzewski: — No, I do not anticipate that. We hope to have a better agreement. That's why we're not rushing into it. Manitoba's arrangement is for the collection of alcohol . . . tax on alcohol and liquor. We hope to have alcohol and liquor, and if we can convince the federal government — and all the other provinces, it appears to me, are prepared to help us in trying to do that — we will have a better agreement.

Mr. D'Autremont: — Thank you, Mr. Chairman. Mr. Minister, a week or so ago in the paper there was an announcement of a survey that was done concerning cross-border shopping throughout western Canada. If I'm correct I believe Saskatchewan had the highest per capita cross-border shopping of either Manitoba, Saskatchewan, or Alberta. Is this correct?

Hon. Mr. Tchorzewski: — Mr. Chairman, I'll be pleased to answer that question. Saskatchewan had — this is for 1991 — 1.02 trips per capita, Manitoba had 1.95 trips per capita, Alberta had .44 trips per capita. I'm just doing the provinces on each side of us.

Mr. D'Autremont: — Thank you, Mr. Minister. I know that down in our area, Souris-Cannington, Estevan, along the border in the south-east corner of Saskatchewan, cross-border shopping is a major problem. And that problem is directly related to taxes. People are shopping not just across the border into North Dakota, but also across the border into Manitoba.

The fact that cross-border shopping is a problem is not just isolated though in our area. In fact if you were down in Minot or Bismarck or Fargo you would see buses — bus loads of people coming out of Saskatoon and P.A. (Prince Albert), and many other places across this province.

Some neighbours of mine wanted to go to California a year ago. They drove down to Minot to stay overnight because their plane left early in the morning. Friday night they could not get a hotel room in Minot. Every one of them was full of Canadians. Those Canadians come from

this province and from Manitoba.

Mr. Minister, our taxation policies is driving those people across the line. And with the changes that you're proposing to the E&H tax, is only going to make that situation worse. Quite a number of businesses are failing right along the border. Now the alcohol industry along the border is the most evident one where failures are taking place.

In Gainsborough, the hotel there is only hanging on because they have a good restaurant. In Carievale, the hotel is in receivership and is being operated or leased out by the credit union. Carnduff, they have a good restaurant also there. But the interesting point about Carnduff is that for a while the liquor store closed, because they were not selling any liquor because of the taxation on the liquor in this province as compared to Sherwood, North Dakota. Oxbow had a hotel close. Frobisher's had a hotel close. Glen Ewen's had a hotel close. All these are the communities right along the border. And that can only be attributed to taxation.

Your change in the taxation from 7 to 8 per cent is a fourteen per cent increase — fourteen and a half, my colleague says — increase in that taxation rate. That is a very significant and severe increase. How are these businesses to make up for that extra cost when these people that would normally purchase their supplies are purchasing them across the border in North Dakota, or they're purchasing them across the border in Manitoba?

There's a number of businesses right along the Manitoba border, particularly in Melita, that cater almost exclusively to Saskatchewan residents. You go into these businesses to buy a washing machine or whatever you wish to buy there, and they ship it to you. They deliver to your door because then you don't have to pay the Manitoba taxes. And you're supposed to be a nice person and send the taxes to the province of Saskatchewan, but very, very seldom that ever happens. I've met one person that actually did that — surprised me.

But very little of that tax money is then collected by the province of Saskatchewan that is being spent by Saskatchewan consumers to buy their necessities. They purchase them in Brandon and they deliver into our area.

The businesses in Regina don't deliver into our area so people buy in Manitoba, avoid paying the E&H tax, get home delivery, and we lose the business.

When people purchase their goods across the line in North Dakota, Mr. Minister, if that purchase exceeds a \$25 amount they are rebated their state sales tax. You can apply for it up to once a year and get all of the state tax you paid back. The Manitoba government in a recent news release announced that they are going to allow their tourists to be rebated any purchases they make, tax purchases they make in the province of Manitoba, not only on consumer purchases but also on hotel rooms that they spend in that province. The border problems are a problem with the Manitoba border, the U.S. (United States) border, the Alberta border as my colleague from Wilkie pointed out. The only one we don't seem to have a problem with is the Northwest Territories.

I've mentioned the alcohol and beer. Beer prices are just astronomically different between North Dakota and Saskatchewan. You can purchase 24 beer in the local hotels in my area for anywhere from 30 to 32, \$33. You can bring 24 beer back across the border, legally, for about \$18 Canadian. So there's very few people that when they want to take beer to their homes along the border buy Canadian beer to do so. They run across to Sherwood, North Dakota and buy it there. They run across at Northgate, they run across at North Portal.

But they're not buying the beer in Saskatchewan. They're not paying their taxes in Saskatchewan. They're paying the federal government's excise taxes and the small amount of tax that the province charges at the border. But we're losing that business. We're not getting the taxes that would be paid, the business taxes. We would not get the money that would be paid for income tax to those employees.

Mr. Minister, are you considering any method to relieve that burden on our border communities, to alleviate that tax inequity, that difference?

Hon. Mr. Tchorzewski: — Well, Mr. Chairman, some of the measures that need to be taken are already in the process of being developed. The federal government has agreed to collect the tax on liquor and tobacco at the border, the same time as they collect the GST. This Act makes no impact on that at all because it will have no impact on alcohol prices.

The whole question of doing away with harmonization of the PST (provincial sales tax) has had a significant impact because, for example, on a lot of items such as clothing and reading material and restaurant meals, the GST actually provided a 100 per cent increase in taxation. It was really making it less competitive. So by the removing of that harmonized PST we've made a significant difference to the communities that the member opposite talks about.

I mean it's a very interesting comparison to compare North Dakota to Saskatchewan. North Dakota may have lower taxes, but North Dakota does not have a health care system. North Dakota may have lower taxes, but it doesn't have an income security system like we have in Saskatchewan or in Canada.

So those kind of comparisons I think are like apples and oranges. Is that what the member is advocating, that we develop the same kind of policies that they've had in North Dakota where their population is something like 500,000 people now, with vast areas in which there is nobody living in any more? That's not the way that this province was built. This province was built differently. We have social safety nets. We have a medicare program that is suffering on some difficult times but it's going to work, and it's going to be restored to meet the needs of the 1990s. Surely the member is not advocating that we begin to look at the North Dakota model in order to develop the tax regime, and therefore the programs and the policies in Saskatchewan, similar to those from North Dakota.

Mr. D'Autremont: — Well, Mr. Minister, it's interesting

that you bring up the case of health care in a comparison between Saskatchewan and North Dakota because the people that cross-border shop from this province can have both. They have the cheaper taxes because they buy across the border, and yet they can still take advantage of our health care, our social programs, our education system.

But what is being lost in the mean time is all of those businesses and all of those jobs along the border. You talk about having vast open spaces in North Dakota with no people there. Well that's what you're going to have as far as communities are concerned along the border. Because the people that are living there have the opportunities to take advantage of those lower taxes in North Dakota or in Manitoba and still take advantage of our health care system. And that's what the problem is, and that's what my concern is, is what's going to happen to my communities along the border when you jack up the taxes to 8 per cent on E&H sales tax, and what about 9 per cent and 10 per cent? When you increase those taxes, it just drives more people across those borders and that just hurts my communities, and soon there won't be any communities there. What are you going to do to alleviate that problem?

Hon. Mr. Tchorzewski: — We already did a very significant action when we removed the harmonized PST. We removed 7 per cent PST on everything except prescription drugs and food which was in place as of April 1, I believe it was, of 1991. As of October 21 of 1991 that was removed. That was a major benefit to those communities.

Mr. D'Autremont: — You removed the harmonization. But what you did was you took away a number of tax advantages to those very businesses that are being hurt today because they're still paying the PST on the products they buy to run their businesses, where they don't across the border.

And then people come in. I had a contractor called me and had a concern about out-of-province contractors coming in and doing business in Saskatchewan. The only difference that this contractor could see in their types of businesses, in the way they ran their businesses, was the fact that the out-of-province — this particular company is coming in from Alberta — is not paying any sales tax on their equipment. Therefore their equipment is 7 to 8 per cent cheaper than what the Saskatchewan company is. And they are getting the contracts.

Are you giving any consideration to that type of relief? And that's just contractors. But the small businesses in this province are also being harmed by that E&H tax that you have just jacked up, where they would have benefitted from the PST harmonization.

Hon. Mr. Tchorzewski: — Had the member been here this afternoon he'd have heard me explain that. My explanation was that there is a system in place. Anyone that does business in Saskatchewan, there is an audit system that audits, even out-of-province businesses located out of province, to determine whether they have paid their fair share of the E&H tax because they're doing business here. That audit system is in place. The member

has some examples of such companies that he feels are not contributing, then let us know and we'll make sure that the audit is performed.

(1930)

Mr. D'Autremont: — Mr. Minister, gasoline is also one of those items that is dislocated in price between North Dakota and Saskatchewan. Quite a number of people are buying gasoline and bringing it back across the border.

Some people have been advocating that there be restrictions on the importation of goods across those borders from the States — alcohol, tobacco, beer, gasoline. Mr. Minister, that in my mind is the wrong direction to go. Putting restrictions on the amount you can bring in only encourages more people to bring it across illegally, as the member from Greystone had been talking about. And that is a concern in our area and they do catch people that are doing this.

The idea that the member from Wilkie had brought up — Lloydminster has a tax-free zone. You say Onion Lake has a tax-free zone. You state that these are communities situated along the border and for that reason they are allowed to have this tax-free exemption.

I attended an event today in my constituency. It included people from Gainsborough; Carievale; Carnduff; Coulter, Manitoba; Antler; and Sherwood, North Dakota. It's a re-enactment of the original boundary commission coming through establishing the 49th parallel. It was also the same trail that was followed by the North West Mounted Police when they came into this area in 1874.

And what was interesting, Mr. Minister, is that you could term this whole area as one community. They're all inter-related, they marry back and forth; families settled on both sides of the border without any regard to where the border actually was. And at this event today what was interesting was that they had people there speaking from the RMs (rural municipality) on both sides of the border — from mayors in the towns and they also had speakers there. The Mayor of Antler, North Dakota spoke and the Mayor of Sherwood, North Dakota spoke, as well as the state senator for that area, Orlin Hanson.

Mr. Minister, that whole area is one community. You spoke of Lloydminster being allowed a zero tax base because they were one community. What about those other communities along the borders, such as the one I have just described on the very south-east corner of this province? Those people consider themselves to be one community. Are you going to give them any consideration to have a tax break right along those borders?

Hon. Mr. Tchorzewski: — No, at the present time we are not considering any such options.

Mr. D'Autremont: — Well, Mr. Minister, what is the special circumstance that Onion Lake finds itself in that it is allowed to have a tax-free zone?

Hon. Mr. Tchorzewski: — The thing that's unique about Lloydminster, for example, is that Lloydminster is on the

border, it's one city. And the businesses in that same city compete against each other. And traditionally over the last, I don't know if it's 30 or 20 years, there has been some special provisions that applied because of that particular circumstance. Onion Lake applies in the same way.

Mr. D'Autremont: — You're saying then that Onion Lake is a community that is exactly split in half by the border, the Alberta border?

Hon. Mr. Tchorzewski: — Yes, I'm told it's right on the border.

Mr. D'Autremont: — Well, Mr. Minister, why are you concerned then about businesses that are on the Saskatchewan side of the border and businesses that are on the Alberta side of the border and allowing them to be able to compete back and forth when you're not concerned about a business that may be one or two miles from that border and yet is still competing directly with the community across the border from them. The harm is just as great. Will you not give them some consideration?

Hon. Mr. Tchorzewski: — Well, Mr. Chairman, because in one case you don't have to move the border. In all the other cases you would have to move the border.

Mr. D'Autremont: — Why would you have to move the border? We're not talking about where the border is situated. We're talking about the harm that is caused in those communities by the taxation policies on either side of the border.

Hon. Mr. Tchorzewski: — Well clearly, Mr. Chairman, if you move the border for taxation purposes, five miles or ten miles in, you may solve the problem in the communities on one side of the border but you immediately cause a problem for all the communities on the other side of the border. And then you have unfair competition right within the province of Saskatchewan.

Mr. D'Autremont: — Well if you talk to some of the people around the Lloydminster area, they feel that is already the situation. Once you get out of Lloydminster, they feel that the people in Lloydminster have an unfair advantage over the community 20 miles down the road.

But if you put in a system of staggered . . . move various borders across this province. Manitoba did it a few years ago when our gasoline was significantly cheaper than theirs. They staggered, I believe, every 25 miles until you reached a point 100 miles in their boundary to get the full taxes, to pay the full taxes, to protect their businesses. Why are you so adamant at not doing that?

Hon. Mr. Tchorzewski: — Well, Mr. Chairman, as I indicated to the questions that were asked by the member from Wilkie on another day — exactly the same questions; we're going over the same turf all over again here — anything that may be proposed to us which is possible within the fiscal framework of the province I'm prepared to entertain. If the member has an idea which we can analyse and take a look at I'm prepared to do that.

Mr. D'Autremont: — Well, Mr. Minister, I think that the

idea of a staggered tax system along the borders has some merit. It also creates some problems but it is one of the things that should be looked at and perhaps some serious attention, some serious study being given to that type of an idea.

Mr. Minister: you've mentioned that there is, that you do some reviews, some audit systems on companies operating in this province from out of province. Does this also include companies that license vehicles outside of this province and operate them in this province?

Hon. Mr. Tchorzewski: — The answer is yes.

Mr. D'Autremont: — If such companies are operating within this province, what do they pay? A portion for the amount of time those vehicles spend in this province?

Hon. Mr. Tchorzewski: — I'm told generally that's correct.

Mr. D'Autremont: — And what sort of method do you have to track, to find out, whether or not these vehicles are actually operating in the province?

Hon. Mr. Tchorzewski: — It's the audit system that I spoke of earlier.

Mr. D'Autremont: — And how does this audit system operate? Do you contact those particular companies or do you have somebody on the road looking for companies that are operating in the province, or just what mechanism do you use to find out whether or not they're actually operating here?

Hon. Mr. Tchorzewski: — Well first of all, we actually . . . the department actually goes in and audits the firms, even in another province. And secondly, there are interprovincial agreements for truckers in which each of the provinces reports to the other and makes the necessary adjustments.

Mr. D'Autremont: — What if these companies are not in the transportation business, as in large trucks?

Hon. Mr. Tchorzewski: — It doesn't matter. They do business in Saskatchewan. They're still subject to audit.

Mr. D'Autremont: — Mr. Minister, various companies have made contracts prior to your budget date, based on the 7 per cent PST, who are going to have to purchase their goods based now on an 8 per cent. Are you prepared to make any amendments to grandfather those purchases, to give some consideration?

Hon. Mr. Tchorzewski: — Mr. Chairman, we went through this exactly stuff . . . Maybe the research has given you both the same questions as it gave the member from Arm River. But we went through this and I indicated that the 8 per cent applies to any purchases made after the new tax system is in place, the new tax level. Any purchases of any goods that were purchased before that, the 7 per cent would apply.

And because of the audit system that we do, if there's a concern that any contractor might have, have them get in

touch with us and we'll work it out with them.

Mr. Goohsen: — Thank you, Mr. Chairman. Mr. Minister, I hope I don't end up repeating my colleagues' questions too closely because I did miss some of your earlier discussions in this matter. But we too have, I'm sure you realize, cross-border shopping problems in the Maple Creek constituency. In fact, I got a letter just the other day from the administrator of a small town by the name of Golden Prairie. I don't know if you're familiar with the town or not; it's just along the border north of Maple Creek. It's a town that, I guess to put it politely, is struggling to survive. It's probably a town that most likely won't survive, to be fair about it. But they do have a couple of businesses there, and the letter indicated that they are having serious, serious concerns about this 1 per cent increase.

The writer stated that while 1 per cent doesn't seem to look like very much, in reality it becomes a 14 per cent increase in the tax itself or something like that. And it is to them the death knell for the two small businesses that they mention because, as they put it, people are just too prone towards fast travel these days and easy access to getting over to Alberta, mainly Medicine Hat. Of course, there's a couple of other small towns close by. For example, the town of Richmond is close to Schuler, and if you happen to have a post office box, apparently, in Schuler, you can buy a whole bunch of things that people in Saskatchewan are not entitled to.

And I guess I should, you know, get you to answer a few of these questions as we go and then refer back to it as I get your answers. The question there is, what can you do to encourage people to stay in Saskatchewan in a small town like that? What advice could I give to them, or what hope could I give to them, or what suggestions could I give to them, that might encourage them to stay at home rather than to do things like taking out a post office box in Alberta and qualifying themselves to become residents of Alberta? How can I encourage these folks to stay at home and shop in a small town like Golden Prairie?

Hon. Mr. Tchorzewski: — Mr. Chairman, I guess that's a decision people in a small community or any community have to decide on their own. Do they want to support their community? Do they want a community that continues to survive and exist and service that general area which the community exists in? That's not a decision government can make for people; that's a decision that people in the community will make. But I think you can advise them that certain measures taken by this government have been of great and significant benefit to them.

When there was the harmonized PST in place, their tax went up by 7 per cent, the sales tax went up by 7 per cent — 7 per cent federal GST, 7 per cent provincial GST. When we removed that tax on October 21, that tax was gone. Now there's a 1 per cent increase on the E&H tax, which is a far less burden than the harmonized PST was. I think that's encouragement, but in the end it doesn't matter what kind of a tax regime you have. There's all kinds of things that attract people to different places. People have to decide, do they want their community to survive. If they do, they have to contribute to that

community in many ways including buying certain services and commodities and goods that they need for their everyday lives in that community.

Mr. Goohsen: — Well, Mr. Chairman, our minister has a strange way of philosophizing his mind through the system of taxation and a strange way of handling figures. This is the most amazing kind of mathematics I think I've ever witnessed. You say that you took off the 7 per cent when you cancelled harmonization. Well you did it on a few specific items. You didn't take it off of almost everything that people buy. Because the E&H tax and the PST were and are and always will be the same damn thing. They have never been any different. So how can you sit there and tell us that you saved Saskatchewan by taking off the 7 per cent when you didn't take it off of anything except maybe hamburgers and a couple of other items that people might use.

The thing is that you've added 1 per cent to most of the things that people buy, 1 per cent which translates into an increase in that particular tax of 14 per cent of that tax or thereabouts. And what you have done is you've created a situation, sir, where people in economically difficult times — and even if there wasn't economically difficult times — people by nature will shop where they can get the best deal.

And when you add another per cent onto seven you are not making the problem but you are making the problem worse. You have made the problem from 7 to 8 per cent on a tax that people in Alberta don't pay and people in Saskatchewan that go to Alberta don't pay. I know that you may respond by saying, well they should be good citizens and voluntarily pay that, but they won't. That's human nature.

(1945)

I suggest to you, sir, that if you've ever been to Alberta you may have bought something and brought it home yourself, and if not, maybe you have a relative that did. Certainly if that isn't the case I can point you to an awful lot of folks that are doing it every day. It is just not a thing that you can police and it is just not a good enough argument to say to us that people should stay home and protect their own community because the reality of life is that people will shop where they get the best deal.

Governments have to take that responsibility, sir, the responsibility of creating a competitive atmosphere in the field of shopping, in the field of business. If you want to create prosperity in this province you're going to have to make the province competitive with our neighbours.

I'm not going to suggest to you here how you do that. But playing with figures and suggesting to me that I should go home and tell my folks, you better stay home because the Minister of Finance said that's your nationalistic Saskatchewan duty, because it just won't fly out there. The small-business men are the guys that are going broke and the folks that do the buying are the ones that are saying, goodbye, we're going somewhere else. So you have a conflict between the consumer and the business man and the business man here happens to be your tax base.

Now if you don't do something to create an atmosphere where people will be competitively buying in the province, then you are going to lose that tax base. And what it means is that those folks that live further away from the border where it doesn't make economic sense to drive across to get goods or can't get a big enough shopping list because they don't have enough dollars to spend to make it prosperous, then those folks are really being asked to pick up the extra load of taxation because you've destroyed the tax base along the border. There's no longer going to be any taxes coming in from small towns like Maple Creek and Richmond and Burstal and Fox Valley. It just won't be there. And that means that people in Regina are going to have to pay more taxes to make up for the ones you're losing along the border.

Now I've also got a list of things here that really makes me wonder where these lists come from or how you get them. And I'm sure you can tell me. But I have a list here of things that it says that are taxable and things that aren't taxable with regards to the food production industry.

And my first question to you is, where did you come up with the list of those things that food producers can buy that are exempt, and where did you come up with the list of things that they buy that are not exempt from taxation? How did you derive that list?

Hon. Mr. Tchorzewski: — Well the list comes from the former administration. When we took office, that's the lists that were there. We have not changed any of them. They were developed in the 1980s, I believe. I don't know whether it was 1980 or 1981 or '82, but somewhere in there they were developed and we have changed nothing until this time.

That's what I say when I say on a number of occasions here during this discussion that all of these things have to be reviewed, and if there are some changes that may be needed to be made from time to time, something that may be worth considering.

Mr. Goohsen: — Well this time I agree with you. There's probably time to rethink some things and take a look at some things and change some things, and this might be one of them.

And I'm going to just give you a couple of these examples so you know exactly what I'm talking about. For example, on a farm you have to pay the E&H tax on well-cribbing. Now why would a farmer pay that on well-cribbing when over here he can deduct that off when he buys livestock insecticides? Or if he buys a weed burner he doesn't have to pay it. And yet if he buys a goose-neck trailer to haul his livestock to market in, he's got to pay the tax.

If he buys fertilizer, he doesn't pay the tax. If he buys a farm account book, he doesn't pay the tax. But if he buys a sodium light for his yard so he can catch the crooks that are coming in to steal his gas, he's got to pay the tax. If he buys a power plant to back up his electrical supplies so that his chicks won't all freeze to death in the spring if the power goes off, he's got to pay the tax.

These things look to me, most of them, like they're as

important to a food producer as the things that are exempt. And the list is quite lengthy.

For example, we've got water pressure systems, veterinary supplies, truck tarps. Can you imagine that? We've had people in Manitoba who have passed laws in the past, and I don't know if they're in effect or not right now, but I remember many years ago when there was quite a controversy over this, and the government actually forced farmers to cover every load. There's even been some talk in this province about people being more diligent in tarping their loads to keep the spread of wheat seeds down. And yet a truck tarp, you have to pay the tax on.

So I really do appreciate the fact that you are saying that you're going to take a look at these lists because it is totally unrealistic to charge people the tax on these kind of items when you're exempting all of these others. Many of these should be exempted if we're going to continue along the lines of attempting to make our agricultural producers more competitive through taxation . . . holidays, I guess, would be probably too strong a word, but forgivenesses on taxes paid that make up for cheap food policies in our nation. It's unfortunate that we have cheap food policies and that we have to get into this kind of . . . sort of grab-bagging at ways to keep people economically viable.

But if you're going to do it, then we may as well do it full-scale and do it right. And to me, charging for some of these things and not for others makes it almost impossible for people to know what they're doing. And not only that, it becomes totally unfair to certain producers of certain types of livestock for example, or certain types of commodities.

For example, you may not need, in a straight grain operation, a back-up power source. But if you're in a chicken production business of small chicks or any other type of small animals, you might absolutely have to have that in order to make sure that these things don't die on you.

So why one producer of one commodity is picked on rather than the others, I really don't see the rationale. So I hope you will check that out and do something about relieving that problem.

In the area of farming, we've got a lot of exempt items and lot of non-exempt items. And I just wonder how long, sir, would you expect it would take for you to review this list and bring us an updated version so that we can pass that on to our farmer neighbours.

Hon. Mr. Tchorzewski: — Well, Mr. Chairman, it seems to me that this is not a problem that is new. This has been a problem that's been around for over 30 years. This is a list that the former government, which the member opposite was a part of — not as an elected member — found acceptable. We've inherited it. And I have set no timetable for any review on when it might be concluded.

Mr. Goohsen: — Well if it's been around for 30

years, it sure wasn't started by the past administration. I'm sure you're aware of that. And also, if it's been around for 30 years, it's probably time you changed some things in it and updated it. So get at it. Don't wait for ever.

The 8 per cent tax has got us another problem in our area. Tourism is not a big thing in south-west Saskatchewan, but it can be and it should be, sir. We have a lot of potential there.

And I just today had a phone call from one of my constituents who had a suggestion for you, and I'm going to pass that on to you because he says that the general feeling already, this early in the season, is that the 8 per cent tax is in fact sending a negative message across both the Alberta border and the U.S. border. In particular, he's talking about the U.S. border because we have what they call the Horseshoe Tourism Association down there that has been struggling to get organized over the past few years in order to promote tours into The Great Sand Hills and of course to promote stops at places like the Cypress Hills and those kinds of things that we have, like the dinosaur bones down at Eastend — and probably as good a collection down there as they've got any place in the Tyrrell Museum, for example, over in Alberta. And no reason why we can't develop that tourist kind of a package in that corner and do a lot with it.

But this constituent of mine has pointed out that the added 1 per cent has sent something of a negative impact or message to folks outside of our province and they don't seem to be coming to our province. So we're having great difficulty convincing them that this is not such a bad thing; that they should come along and that it really wouldn't cost them so much money.

So he has made a suggestion and he's suggested that we should issue a gas coupon, a book of them, at the border, and when people come across from the United States they might be given . . . he gives an example, say, of five coupons if you're planning on staying for four or five days. And your licence number would be printed right onto that coupon so it could only be used on that vehicle with that licence number. But that coupon would allow you to buy gas at a reduced price that would make your gas competitive with the American gasoline that they were buying as they came up to the border.

This would send out a positive signal, he says, that you are in fact relieving them of paying the extra taxation, giving them something for nothing as an incentive. It might, he felt, have a tendency to offset this negative message that our increase in the sales tax has created, because you can add as well as I can, and now we're looking at 15 per cent tax for folks that come into our country from states further south where there is no sales tax at all. And of course the border states like North Dakota has, I think, an 8 per cent, or maybe it's 6 — I'm not sure — but obviously not 15. So they feel quite a shock when they come across. And we could eliminate some of that negativism if we offered them some little token like that.

This gas coupon, he suggests, should not be transferable. And I think it's good — he's thought this through. It would not be for sale. He could not sell it to anyone else. He could only use it for his own vehicle with that licence number on those days that he's in the province of Saskatchewan. It would be good for nobody else any

place else, but it would be an incentive for tourists to come in and stay a few days.

So I pass that on to you because I think that we have to look at some kind of incentive programs to get away from this idea of discouraging our tourists from coming into our province. After all, if you can get a tourist to come in to something like the Craven valley jamboree, I'll bet you that he's probably going to buy enough soda pop over the week to cover up for any coupons you'd give him for his gas. And I just wondered what you think about that kind of a proposal, to offset this 1 per cent increase, in tourism.

Hon. Mr. Tchorzewski: — It seems to me, Mr. Chairman, the people who use our roadways should make a contribution to their construction and their maintenance. And the members opposite are saying that Saskatchewan people should pay for the roads, and that everybody else who uses them should get off without paying for the roads. At first blush I don't think that's a good idea, but I think maybe the idea that the member opposite suggests is something that can be looked at. But the principle — that people who use the roads should make a contribution to them, rather than just simply the Saskatchewan taxpayer having to pay for that road that everybody else may be using.

Mr. Goohsen: — Well you folks like to call it an E&H tax, which says health and education. In other words, you're collecting the tax to pay for that and not for roads. We, I think, properly labelled it as a PST — that's provincial sales tax — because we really believe that you throw this money into general coffers and use it for everything. And I think in fact that's what you were just saying to us, is that PST is the most appropriate way that we could describe our tax nowadays because it has nothing to do with health or education any more.

And the reality here is, though, that you're not saying to these people that you can travel for nothing. You're saying to them that, we want your business, that we want you to come up here; here's a little incentive for you to come; we're going to give you a little bit of a break. We're sending them a positive, business-like proposal, a positive message that we are going to treat them good and treat them fair.

Just the other day — it's unusual how these things happen — just the other day, I happened to come across some Americans that were visiting in our province. And they actually said to us in all seriousness, we don't understand why any people live in Saskatchewan any more. And one of my neighbours said, well you have to live here to understand it, but it's the sort of thing that grows on you. And he said, but how can you tolerate all of this high taxation? He said, when I came across the border I find out I've got to pay 15 per cent tax on everything I'm buying. He said, my taxes are too high here and he says, your fuel, he says, is unbelievable. He said most people now that might have driven through Saskatchewan are jogging down into the northern states and driving across on their highways to get across on cheap gas and cheap highways, and they're circumventing our province.

If we don't do something, Mr. Minister, if we don't do something to stop that kind of thing from happening, it

can only grow. It's like a cancer. It'll have to get bigger and worse and worse. The more people do it, the more it's going to happen. We've got to curb that somehow and if it costs a few dollars to encourage people to come in, with some gas coupons or something like that to get them to come across, I think you're going to have to take a serious look at that. Otherwise we're going to lose our tourism industry and that could affect a lot of people in a very negative way in a very short time.

Now it has come to my attention through a letter sent by your Economic Diversification minister came across my desk today, suggesting that you're going to have a new program come out to try and encourage tourism to come to our province. You're going to actually give people money to do marketing and advertising to try and get tourism in here.

(2000)

Now if you're going to spend money that way, what's the difference if you spend a little bit of that on some gas coupons encouraging folks to come across the border. Seems like you're making an investment. You're not saying, drive on the roads for free. You're saying, we'll make an investment to try and encourage folks to come into our province to do business here so that we can show you a good time and you'll appreciate spending your money in our province. Now don't you think that that would be a good approach?

Hon. Mr. Tchorzewski: — Well, Mr. Chairman, the member's friend from the United States should be reminded that under the system where he comes from, that if a member of his family got ill and got into the hospital for any length of time, they would be literally bankrupted for the rest of their lives. That's the difference between what our tax system does for us and what their tax system does not do for them. That's a comparison that we have to make. That's one of the advantages, and maybe in some ways disadvantages, of living in Canada. But I like to think it's an advantage.

As far as this incentive for tourism, I want to remind the member that this year the inquiries by United States tourists, potential from the United States, the inquiries are up 200 per cent over last year. Obviously there is something happening that is getting them interested. And I think, Mr. Chairman, it's clearly because of all that Saskatchewan offers for a tourist who wants to enjoy the clean air and all of the sights and the untarnished terrain that we have yet in this province, which they don't have in the United States.

Mr. Goohsen: — Well that's great. I'm happy to hear that those inquiries are there. What has that translated into in numbers of success? How many people have you actually seen come in, more than last year? Do you have those figures?

Hon. Mr. Tchorzewski: — No, because the tourist season is basically just beginning, so we don't have those numbers.

Mr. Goohsen: — Well that's probably as good an answer as you could be expected to give, because I think the

reality is going to be that you're going to see a lot less. And I don't think you're going to want to admit to us what the true figure is.

The inquiries may be there, but as soon as they get back they're going to talk to their neighbours — the first few that come — and they're going to tell everybody about the high taxes up here, and the high gas prices, and the high this, and the high that. And then pretty soon our great wilderness and our great fishing experiences don't seem so important any more.

Suddenly they hear that the roads are going to be torn up and that they may not even be able to get there. And there's all kinds of silly things going on that are sending negative impulses out into the world around us. And I'm just suggesting to you, sir, that we ought to try and curb some of that with some incentives and some programs that may help.

And you've already set up a program that's going to cost some money. So you've obviously delegated some dollars. You've budgeted then for those dollars. It's just a question then of priorities of how you spend a few of them. And I say to you that somehow, giving a bit of a tax break at the border, or some kind of incentive, is the only way that you're going to get these 200 per cent more inquiries to actually come through and use this as their vacation spot.

And we do have the clean air yet and we do have the good wilderness locations and the good tourist attraction programs and places to go. There's no question in my mind about that. But when a negative thought gets into people's minds, it's hard to turn around. And as I said earlier, it spreads. And we've got to stop that by encouraging folks to come here with some incentive.

And you have mixed a lot of apples with oranges when you bring in the medical care programs that they have as compared to ours. Obviously we have a good system, no question about that. But they also have insurance programs there, and if they've bought their insurance, they will be protected and they won't lose their businesses and their farms or anything else.

I'm not saying or suggesting to you that I am a promoter of their system over ours. I think each system can work as well if applied properly. But the reality is that you can't mix them together and say that the guy down there isn't paying his fair share when he comes up here.

When I go down there they don't charge me a tax on their roads. They're quite happy to have me as a tourist, spending my tourist dollars on whatever it is a tourist might happen to do down there, whether it happens to be to pull the lever on a slot machine or to go hunting ducks out in some marsh. They're just happy enough to get us there and then they know that once they got me there, I'll most likely spend some of my dollars.

It works the same way when you bring folks into our province. Once you get them here, once you get a positive message to them, they're going to come on in. They're going to spend some time here. And they will spend their money because they expect to do that. But

they don't want to feel as though they've been sort of cheated. And taxes is one of the first things that people see when they travel.

Now maybe I'm suggesting to you that you ought to have a hidden tax. I don't know if that's possible or not. But when you add it on after you buy it, that's the first place the tourist sees that he's getting nailed something extra that he doesn't feel that he is getting something in return for. He doesn't really consider that he should be buying your roads. He considers you should have built them for him because he's a tourist coming in, and if you want his business you should provide a way for him to come here. Now there was just one suggestion of what we could do.

Another thing we have to talk about, Mr. Minister, is this business of employment along the border. When a man employs someone to work in the oil patch over in Maple Creek district or somewhere like that, he employs someone, he's got to pay the GST and the PST on everything that he buys. He's also got to pay it, I guess, on the labour and things that go into whatever he's hiring the person for.

And we've heard our friends talk earlier about the fact that people can come in from Alberta. And you said that there's an accounting procedure and that somehow they ought to be audited. And I can't for the life of me figure out how you're going to catch these guys unless you've got some kind of secret police system set up. How are you going to identify these people that are not complying with your set of rules?

Hon. Mr. Tchorzewski: — It's not how we're going to, it's how it's always been done. It was done during the last 10 years. It must have been done pretty effectively because the former government didn't decide to change it. But people, to do business in the province of Saskatchewan, have to become licensed. They do business in this province, they have to have a licence to do business in this province. It seems to me that that's a pretty adequate way in which to identify who they are.

Mr. Goohsen: — Well you're right and you're wrong. The government of the past administration did identify the problem and they did do something about it. They did harmonize the tax because harmonized taxation, again, was the answer to alleviate a lot of these problems. Because the folks that were in our province could get a rebate on all of the taxation if they were considered to be in that proper category, and then they were competitive with the people who came in from Alberta.

Whether or not licensing actually happens in all cases I'm not too sure, because somehow I think a lot of folks maybe aren't bothering with it. But suppose they all are. Then the reality is that the proof is in the pudding. And the proof here is that people from Alberta are still coming in, and people on our side of the border are saying that they have unfair competition, that they are in fact not getting the jobs — that the folks that are hiring are hiring the people from Alberta.

Now if the system is correct and accurate and working, why is that continuing to happen? It shouldn't be. So there must be something wrong out there. And if

harmonization was designed to alleviate that — and even some of the folks along the border out there before the last election finally saw the light of that and realized that that would make them competitive, you know — if it took that to do it then, how can the system be working now that you've cancelled the harmonization? What have you done, or what are you going to do, to offset those equalization factors?

Hon. Mr. Tchorzewski: — Mr. Chairman, we've been through this three times now and we're repeating the same questions that were asked by members who were in the House before and asked the questions. But the harmonization is an issue that was debated in the last provincial election. People of Saskatchewan clearly said the harmonized PST, the way the former government had brought it in, was unacceptable. It was wrong. It had a negative impact on the economy. And therefore it's gone. And we're not introducing it in this budget. We eliminated it.

We'll be reviewing the tax regime in the province of Saskatchewan over time. We have started that, and as a result of that review we reduced the small business corporate income tax by 1 per cent — 1 per cent. Significant. We'll continue to review that.

We've said that in three years we will phase out the E&H tax, the education and health tax on agents using processing and manufacturing. A major impact for places like . . . for industries like IPSCO; our printing industry. And so we've taken some initiatives to meet the need that the member opposite identifies. And we'll continue to review to see what more we can do as our fiscal situation permits us to.

Mr. Goohsen: — Thank you, Mr. Chairman. I guess in all fairness you've said what is true. People have said that they didn't understand what harmonization would do for them. They had a negative impression of it and they were probably in a large extent voting against that at the election.

But that really wasn't my question. My question was: if harmonization was suitable to those people as a tool to make them equal along the border to prevent cross-border hirings as well as some cross-border shopping problems, my question to you was not whether the old system was good or bad. You said you ran an election campaign where you had committed yourself to take it off, and that's fair ball; you did. Everybody knows that. You had to. You couldn't possibly save face if you'd have done anything else. You know at that point your own members in your own party would not have accepted your going back to that plan, and we can appreciate that you are committed to having to come up with something different, and of course that's what I've said.

I haven't said what was bad about the old program, why did you get rid of the program. What I've said to you is what are you going to do now as the government to replace that. And you gave a couple of those illustrations for IPSCO. That's fine; we appreciate that; that's good. If a 1 per cent corporate relief in corporate taxes is sufficient to create and stimulate the needs of that industry to

preserve it from cross-border shopping and the pressures of the outside world, fine. If you are willing to look at it and do some more, that's great too, but we've got a whole area of people along the borders that are affected in a lot of other ways where this 1 per cent doesn't seem to be jamming it to the problem enough to get results, not yet at least. I haven't seen any results.

And I keep getting letters from people that I mentioned earlier from towns like Golden Prairie where the administrator writes on behalf of his town council that they are desperately trying to save their town and need the government to take some action different than increasing the sales tax that is different from the one in Alberta. I've had those requests, I would say from every town in my constituency that is within a hundred miles of the border. Every town in my constituency has made the same request, and more than once and more than a few people.

These folks are desperately trying to keep their businesses going. There is no possible way that they can encourage the general public on their own arguments or their own volition of any kind to come in and buy in their shops when folks can go down the road to Medicine Hat and buy things cheaper. It's just human nature that folks won't do that and you haven't explained to this MLA (Member of the Legislative Assembly) with any degree of satisfaction what you are planning to do that's going to alleviate those problems.

The problem gets worse. It's getting worse by the day. These towns are truly believing that they're finished and I know that some of them will be, and you maybe can't save them all but surely we haven't got a plan in this province where we let everybody go broke. Surely there must be some thoughts there, you know, that you can get from your back-benchers, if nothing else.

They must have some ideas. Some of them come from close to the borders. If you are not willing to look at things like relief through a coupon system or relief from extending the boundaries from the way you do in Lloydminster to towns that are a few miles off, you must have some other ideas.

Certainly you must have a plan of how you are going to save this province from total bankruptcy of a tax base. That is what we are doing; we're losing our tax base. Where are you going to develop the tax base to make up for all of the people that we are losing along our borders? What are you going to do about that?

If you say I am repeating myself, you are probably right. But we are going to keep repeating ourselves over and over again until you come up with some answers about what you are going to do for the people of this province. Those folks out there are desperate. They aren't going to let me off the hook if I phone them up tomorrow and say, the Minister of Finance shrugs his shoulders and says we are repeating ourselves. They don't care if we are repeating ourselves. They want something done. They want some action to save their communities.

They want you to take a look at what 8 per cent is really going to do to them more than what 7 per cent already

was doing when it was terrible for their situation. And now a shrug of the shoulders or some glib comment that we're going to shrug it off and it's repeating ourselves, that's not going to get me off the hook. And I can't afford to let you off of the hook as long as I can't get off the hook, so I've got to repeat my questions until I get some positive answers.

(2015)

So I will ask you once more: do you have any plans whatsoever in any part of your grab-bag of politics to try to alleviate the problems of cross-border shopping in this province with regards to Alberta, United States, and Manitoba?

Hon. Mr. Tchorzewski: — Well, Mr. Chairman, the sales tax came into being in Saskatchewan in 1937 and somehow our tax base hasn't eroded. It's been there all that long, and businesses in Saskatchewan still exist.

No doubt that there is a problem with cross-border shopping. But we have taken a very major move in alleviating some of that problem. In this documentation here, *Impact of Harmonization on Saskatchewan*, published by Mr. Hepworth, former minister of Finance, here is what he said about the communities you talk about.

Broadening Saskatchewan's tax base in this manner increases the number of goods that Saskatchewan residents can now find at lower effective prices on the other side of the border and increases the tax savings available to cross-border shoppers.

He is talking about harmonized PST.

The expansion of the sales tax base, both in April 1991 and January 1992, increases the incentive for consumers to purchase the goods and services outside of Saskatchewan.

We agree. That is why we eliminated the provincial, the PST, the Conservative-style PST which provided a great deal of assistance to those communities that the member talks about.

Mr. D'Autremont: — Thank you, Mr. Chairman. Mr. Minister, you just quoted from a study that was done by the previous Finance minister concerning harmonization. Have you done any studies concerning the increase from 7 to 8 per cent of the current E&H tax?

Hon. Mr. Tchorzewski: — The answer to that is no, not specifically on the one tax. I gave you the analysis on the overall tax impact of all of the tax measures because that's the appropriate way to go. But the 1 per cent increase on the E&H tax is only \$62 million. In an economy of \$21 billion that's insignificant.

Mr. D'Autremont: — Well there's a lot of people out there, Mr. Minister, who think that 1 per cent increase is significant to their pocket.

When the harmonization was first proposed, you came

up with a study that said that it would mean the loss of 7,000-and-some jobs. Why have you not been able to come up with some sort of figures, some numbers to deal with the increase in the E&H tax that you have just implemented?

Hon. Mr. Tchorzewski: — Well, Mr. Chairman, as I said, the 1 per cent increase on such a narrow base of items on which the tax applies will have minimal if any impact on the employment.

Mr. D'Autremont: — Well those businesses in my communities and all the other communities along the border that are going out of business feel that it does have a major impact on their livelihoods.

My colleague from Thunder Creek mentioned Manitoba and the federal government were co-operating on some new tax measures. It's the collection of alcohol/tobacco tax at border crossing points. What is collected right now for Saskatchewan at the border crossing points? What PSTs are collected, what alcohol/tobacco taxes?

Hon. Mr. Tchorzewski: — I'm told that there were some rates and tariffs on alcohol and tobacco that were set in the 1960s. They're the same ones across all of Canada. It's a very small amount. That's all that's being collected. But when there's an agreement worked out with the federal government on their new position, which is that they will collect the tobacco and alcohol tax at the border totally, then it'll be significant. I'm not sure that I know what that amount will be because that's got nothing to do . . . E&H tax is what this Bill is about. We'd have to talk about the alcohol and tobacco tax in a different forum. But right now it is very minimal.

Mr. D'Autremont: — Well, Mr. Chairman, Mr. Minister, right now for beer coming into Saskatchewan, the collection at the border is \$6.50 on 24 beer. Prior to July 1, in Manitoba the collection at border crossing points was \$6.54, a 4 cent difference. But since July 1 they are now collecting, I believe it is \$15.18 for 24 beer. That is a major tax increase that they're collecting there. That's making beer at the border the same price as it is in Winnipeg or Thompson as far as the taxes are concerned.

Mr. Minister, are you working . . . are you co-operating with the federal government to start collecting Saskatchewan taxes at the border?

Hon. Mr. Tchorzewski: — Mr. Chairman, the same member asked the question about a half-hour ago and I gave him the answer. Manitoba has an agreement in place, we're going to have an agreement in place. We're going to do better. We're not going to stop at alcohol and tobacco. We're talking to the federal government about including a lot of other items which will help the communities that both he and his colleague, seat mate, have talked about. And we're in the process of those negotiations as we speak.

Mr. D'Autremont: — I'm glad to hear that, Mr. Minister, because our border businesses need the help. My colleague talked about tourism. Manitoba has instituted a rebate of provincial taxes to out-of-country tourists, and I'll read you from a news release:

To encourage out-of-country tourists to visit Manitoba, the two governments have also streamlined the process for obtaining provincial and federal sales tax rebates on goods purchased in Manitoba and brought back across the border. Out-of-country visitors will be able to obtain GST and PST rebates at the same time using a single form.

Mr. Minister, are you considering or will you consider a similar rebate?

Hon. Mr. Tchorzewski: — Well, Mr. Chairman, Manitoba has to do that because their sales tax applies to a lot more items than we have in Saskatchewan. They tax restaurant meals; they tax footwear; they tax various certain things that outfitters provide. So we don't do that.

If a tourist comes to Saskatchewan from the United States and drops into Humpty's, which is in my constituency, there is no restaurant tax. They go to the province of Manitoba, there is. So they have to have that kind of a rebate because we're better off then they are that way. We don't need it.

Mr. D'Autremont: — Well, Mr. Minister, when a tourist comes into this province and gets a flat tire and needs to replace that tire he pays the 8 per cent E&H tax now. When he learns that he has to pay that E&H tax, as my colleague says 15 per cent on all the items, pretty soon he says, well where else can I go to? Can I go to Alberta where I don't have to pay any E&H tax? Can I go to Manitoba where I'm going to get it all rebated?

And that's what they're going to do. They're going to look at Saskatchewan and say I can't get out of paying this tax, and they're going to avoid Saskatchewan. And that's going to hurt all of us. It's going to hurt our tax base.

Will you consider some sort of rebate scheme for tourists coming into this province from out of country?

Hon. Mr. Tchorzewski: — Well, Mr. Chairman, we're not in this budget proposing to do that because the numbers of this budget are set. Once again, in Manitoba, the tourists will have to pay not only the tax on the tire, he'll also have to pay the tax on the service, that means the labour component of changing that tire. He doesn't have to do that in Saskatchewan since we've done away with the harmonized PST.

So I mean, things that the member mentions are something that we might want to consider looking at. But I hope the member will stand up and say he supports the efforts we're making in getting the federal government to collect the tax at the border, not only on alcohol and tobacco but on all other items to which our sales tax applies.

Mr. D'Autremont: — Well, Mr. Minister, I find it surprising that they would pay sales tax on services in Manitoba when they aren't harmonized . . . (inaudible interjection) . . . Well if they do pay it, they still get it rebated at the end of the day when they leave the country again. They get their money back whereas in Saskatchewan the E&H tax that you pay, you get none of it

back. It stays in this province. And that just encourages people to avoid coming into this province.

Mr. Minister, I believe that there are a number of items that you should be looking at to make it more attractive for people to come into this province and more attractive for people to operate businesses in this province. And one of the things that you should not be doing is raising taxes like the sales tax which hurts all of us. Thank you.

Mr. Swenson: — Thank you, Mr. Chairman. In our earlier discussions . . . I want to go back to some numbers that you sent across. Are you maintaining that the 6.9 per cent drop in consumer spending in Saskatchewan in 1991 was strictly limited to restaurant meals, clothing under \$300, and the other few items that were taxed under harmonization?

Hon. Mr. Tchorzewski: — No, because when you take a calculation of retail trade, restaurant meals are not part of that calculation.

Mr. Swenson: — Well, Mr. Minister, there obviously were reasons that people were not spending money in Canada. And I look at the numbers that you gave me. It shows Alberta down 5.1; it shows Manitoba, 6.5 — the two jurisdictions that would be closest to Saskatchewan. And yet I distinctly remember during the last election campaign, your party saying that this was the basic reason that consumer spending was off in the province of Saskatchewan therefore you had to cancel harmonization.

And I look at the two adjoining provinces, the ones that would have the economy most closely related to ours with large export-driven economies, large agricultural bases, many miles in between communities, and I see that obviously their spending was off nearly as large as ours.

Mr. Minister, would you now agree that the tax on restaurant meals, clothing under \$300, and pet food was not the reason that consumer spending was off 6.9 per cent in Saskatchewan in 1991.

Hon. Mr. Tchorzewski: — If the member will go back to *Hansard* and look at what I said at the beginning of today's committee, he will find out that I said that harmonization was a major component of it, but not exclusive. There were other factors that took place. Let me give you some month-by-month analysis of how the retail trade in Saskatchewan changed at the time when the harmonized PST was put into place.

In March, before the harmonized PST, the retail sales in Alberta dropped by 8 per cent, in Manitoba by 8.5 per cent, in Saskatchewan by 6.4 per cent. In the month of March we were the lowest.

In the month of April, after the implementation of the harmonized PST, retail sales in Alberta dropped .9 per cent, in Saskatchewan 4 per cent, and in Manitoba 3.6 per cent. In May it was a little different there.

In June, 6.2 per cent in Alberta, 10.9 per cent in Saskatchewan, 6.8 per cent in Manitoba, and it goes on down the list like that, clearly showing that although the

harmonized PST was not the only factor — and I have never said that; *Hansard* will show that to be the case — but the month in which the harmonized PST came in, there was a significant change in the rate of decline in the retail trade that was taking place in the province of Saskatchewan.

Mr. Swenson: — Well, Mr. Minister, people in Saskatchewan, in March of 1991, knew that harmonization was coming in. I believe that was announced on February 20, or something like that. There was no deep, dark secret there. At what point, Mr. Minister, according to the figures I have here, they must have equalled out. At what point was that? Obviously Manitoba and Alberta are very close to where we were. Where did they equal out then?

Hon. Mr. Tchorzewski: — Mr. Chairman, they began to turn around in December of 1991 because retail sales in Alberta were then 6.2 decline, ours was only 5.1, Manitoba was lower at 4.8. But around December when sort of people are beginning to purchase for Christmas purposes, it began to turn around. And since January we have had positive growth in retail sales in Saskatchewan, 5.5 per cent in January, 6.6 per cent in February, and that's the kind of indications that are there.

I might add that that's for 1992, a positive sign for some confidence that obviously must be now in the minds of the consuming public in Saskatchewan to see that kind of growth of the retail trade.

Mr. Swenson: — I wonder, Mr. Minister, if you would provide that sheet to us to view the numbers that you just gave, and also if you also would give me corresponding numbers for Manitoba and Alberta? You must have them. Obviously I'd like to make a comparison if we're doing '92, with what's been happening in the two provinces on either side of us.

Hon. Mr. Tchorzewski: — Mr. Chairman, we don't have it. I'm just going for information that's being given to me in notes here. I don't have that material prepared. But it's all in Statistics Canada. It comes out of Statistics Canada reports. It's available. I can bring Statistics Canada reports here, or the member can have his research staff find it in the library. But it's public information. It's not something that comes out of the Department of Finance.

Mr. Swenson: — Would you say, Mr. Minister, that there are similar results being achieved probably on either side of us, as far as consumer spending goes?

Hon. Mr. Tchorzewski: — I'm told that there are positive results on either side of us but not as good as in the province of Saskatchewan.

(2030)

Mr. Swenson: — Well I guess what it boils down to here, Mr. Minister, and we have thankfully got you on the record of saying, that most of the major industries in Saskatchewan would have benefitted by harmonization, that the consumer spending number that were thrown around so freely in this province last fall were indeed Canada-wide as far as the negative impact with the

consumer.

And basically what it boils down to, Mr. Minister, is that you and your government and your party cancelled harmonization strictly for politics. That as far as the ability of this province to achieve economic stability, whether we were harmonized or not had nothing to do with it. That what we were talking about here was politics and your desire to win an election. It had nothing to do with the well-being of Saskatchewan's economy.

Almost every number that you have given us here today in this committee shows that the impact on Saskatchewan would not have been any different if harmonization had stayed in place, that other provinces are achieving economic growth with or without it, that our business sector would have done well with it, and that we can't say that the consumers' reluctance to buy restaurant meals, clothing under \$300 and pet food, had any reason to cancel a benefit, a net benefit, to the business community in this province.

And I guess, Mr. Minister, what we would like for you to do is give a commitment to all those people out there that know that in order to achieve economic growth in the future . . . that you're willing to look at harmonization, that you're willing to put your political rhetoric aside, and that you're willing to do the right thing, if the numbers mean that Saskatchewan business will have the opportunity to employ people to pay more taxes and to give a positive growth curve to the economy of this province. Because, Mr. Minister, you have basically admitted to us all the way through this that it wasn't harmonization that had any of those negative effects on the Saskatchewan economy.

Hon. Mr. Tchorzewski: — Well, Mr. Chairman, let me make this point, that the way the former government implemented the tax was wrong. Most people will say that. The federation of business says that. The timing of the tax was wrong.

And, Mr. Chairman, I want to say again which I have said in this committee several times, that as our fiscal situation improves because of the good management that this government is putting into place, as we begin to get the expenditures under control, we're quite prepared to look at different kinds of tax measures that will help industry and manufacturing and businesses be competitive and grow and create more jobs in Saskatchewan.

We've already signalled that by our decrease in the corporate income tax rate and in the announcement of the phasing out of the E&H tax on agents that are used in processing and manufacturing. I think that in itself is a sign of commitment and goodwill. And as our financial circumstances make it possible to do more we will be willing to do more as we review the whole tax regime.

Mr. Swenson: — Mr. Chairman, there's one other point that I want to get on the record, some things that the minister alluded to earlier. In one of the replies to one of my colleagues he said that we removed the 7 per cent from a number of items. And in fact, Mr. Minister, the tax base that we have today is virtually the same as we had under harmonization other than restaurant meals,

clothing under \$300, and a few other things.

And in reviewing the minister's response earlier in the day about certain items and the impact that they have on Saskatchewan, particularly on the farm sector which is under a lot of pressure as we all know with low commodity prices, debt problems, the minister said that Saskatchewan farmers already get significant benefit except for items that are dual purpose such as batteries and tires and that type of thing. And in reviewing the list that you sent across, Mr. Minister, of items that are taxable to farmers, I find it extremely strange how we could have a dual-purpose castrator or a dual-purpose calf weaner, or a dual-purpose calf puller, or a dual-purpose ear notcher.

I mean, Mr. Minister, give people a break when you stand in this Assembly and are watched by people all across this province, that you can stand there and seriously say that items such as this would be used for anything else but farming, that they're an input cost.

An Hon. Member: — Veterinarians.

Mr. Swenson: — Well I'm sure that the people that make castrators, Mr. Minister, would go out of business if only veterinarians were buying them.

So I mean we have a whole lot of input costs here which are taxable, which are taxable to the Saskatchewan farming public that under harmonization had a net benefit back to those people. I think, Mr. Minister, if you're going to be able to stand in this Assembly with a straight face and say that your government truly is on the side of most of rural Saskatchewan, that you wouldn't be putting an 8 per cent, you wouldn't be raising the E&H tax, on items such as this.

If this is the method that you're going to use with the tax base then you have to have a serious look at this list, because as I go through it there are all kinds of items here that simply aren't used in any other way except by the farming public particularly and by the livestock industry in a big way.

And if you're going to take the FeedGAP (feed grain adjustment program) program away from them, if you're going to take the cash advance, the interest-free cash advance away from them, if you're going to take away the livestock tax credits — I believe there was a tax credit on installations, there was various tax credits — if you're going to take all of that away from the red meat industry and expect it to survive in this province, and then increase the sales tax on so many items that are directly tied to the red meat industry, then you are going to have to expand this list to give some indication to people in this province that generate around a quarter of a billion dollars of income and employ thousands of people in our province, that you're serious about seeing that industry stay here, that you don't want to see it go to Alberta or the United States, that the feeding people, the people on the farms that are in the red meat industry, are going to stay there.

Because quite simply a lot of this list is directly tied to them. You are charging E&H on them. It's now gone from seven to eight and there is no net benefit. Are you willing

at least, Mr. Minister, to expand that list?

Hon. Mr. Tchorzewski: — Well first of all a correction, Mr. Chairman, the livestock . . . what was that . . . tax credit was eliminated in 1990 by the former administration of which the member was a part. It wasn't done by this administration. The list that the member reads from was a list of the former government. Sure, it's there. We have adopted it for now.

Any list by the former government deserves a review. I'm prepared to review the list. It's going to take some time and we're going to take the time to do it because as I said on several occasions in this committee the whole tax regime needs a continuing review over time.

If we can get the federal government to do some of the things that we would like them to do on the income tax side we will have a major, major change to the tax system in Saskatchewan. Right now we're locked into the collection of the tax system by the federal government, working by their rules. All of those things we hope we will be able to accomplish, and if we can you will see a major change in the tax regime.

Mr. Swenson: — Well that's the point, Mr. Minister. The former government did away with the whole list. Everything on here was gone. The costs of production that are associated with this list were gone. So it didn't matter any more, with silo on the list but the elevator that takes the silage up to the top of the silo being exempt. All of that nonsense came to a stop, Mr. Minister, the minute that harmonization came in. And as my colleague from Morse said, at 10 or 12 or \$14,000 that was tied to each and every one of those operations, was the ability to hire another person.

Those 34,000 people that are on our welfare rolls, that we talked about earlier today in question period, would have a realistic opportunity of employment. Because you take 60,000 farms in this province who didn't have to deal with this list any more, and you take another 100,000 businesses that didn't have to deal with this list any more, and you multiply them times very modest amounts of money, Mr. Minister, and you have the possibility of providing an awful lot of employment. You have the possibility of all of those towns and villages that my colleagues have talked about having the ability to stay viable because that money will spin in their economy.

The former government did away with this list entirely. And by doing away with the list they opened up opportunities that aren't available to them today under an increased tax regime, Mr. Minister. When you balance all of this off, how can you possibly say to those 34,000 people on the welfare rolls in Saskatoon and Regina, much less all the rest of the province, hey we aren't going to give you an opportunity to access that money that became available when the former government got rid of this list.

Hon. Mr. Tchorzewski: — Well, Mr. Chairman, first of all the point that the member slides over, unfortunately, is that harmonization was damaging to the farmers to this extent, that they, under harmonization, had to pay all of the tax up front, which was in many cases no doubt a

considerable amount of money with all the new tax that was there, and then they would have to apply and they'd have to wait and finance that money in the mean time to get a rebate. So that was a disadvantage.

As I said to the member earlier, we're prepared to review, and we'll be reviewing, all of the items on the E&H tax list over the next little . . . over the next while. And any suggestions that the member opposite or anybody else can make to us and which we can consider to make it better and more workable, we will look at it.

Mr. Swenson: — Well, Mr. Minister, let's go at this a different way. Most of the reading that I've done by economists — and particularly in areas of social policy — most economists say that sales taxes are regressive as far as people on the lower income end of the scale. Would you agree with that statement, Mr. Minister?

Hon. Mr. Tchorzewski: — Not necessarily. It depends on the structure of the tax base.

Mr. Swenson: — Well, Mr. Minister, I think the tax base across Canada has traditionally had a sales tax component to it. It doesn't matter what province you go in. It varies; some places it's 7 per cent, some places it's 8 per cent, some place like Alberta they don't have any at all. But generally, sales tax, as you pointed out in committee, have been in this province since 1937. Across Canada that has been the rule. Most people on the social side of policy say that sales tax is regressive to implementing good social policy. Would you agree with that, Mr. Minister?

Hon. Mr. Tchorzewski: — Well once again, Mr. Chairman, the best tax is the tax that's based on ability to pay. That's a position we've always taken. But we have had a sales tax in this province since 1937. The harmonized tax base that was proposed last year was more regressive than the present tax base, because the harmonized tax base applied on everything — services, goods, everything that you had to buy except prescription drug and groceries.

The present E&H tax base applies on a small number of items. It exempts some of the essentials such as children's clothing, adult clothing under \$300, footwear, and those kinds of items.

So I think that the sales tax we have now is more progressive. It doesn't mean that we shouldn't continue to look at it to see what we might change in it to make it better, but it's more progressive than was the harmonized approach.

Mr. Swenson: — Well the simple fact is, Mr. Minister, that except for a few items you have exactly the same sales tax base in place, only it's higher. Well other than food and children's clothing and pet food, there's not a whole lot of difference there.

Now, Mr. Minister, the seniors in this province that are having their heritage grant cut back, that are going to have to worry about their level 2 funding, that have to still pay their utilities, and more of it, are all going to be worse off under this regime. People on the lower income scale are

basically faced with the same set of circumstances. Other than under harmonization they had the child tax credit increased to the point to make up for their children's clothing, their pet food, and the hamburgers that they might buy.

(2045)

Now, Mr. Minister, I would think a party that has campaigned vociferously against sales taxes for the whole time that I have been in this legislature . . . Well I mean, took the former government to task to no end because, you didn't eliminate sales tax when you promised it back in 1982. I can remember member after member standing in this House saying, how come you haven't taken off the sales tax because it's so hard on low income earners and seniors, and all those folks. New Democrat after New Democrat saying, how come you haven't taken off that sales tax when you promised it? And we'll do better. Axe the tax. Remember that, Mr. Minister? Axe the tax because it's so hard on our seniors and our low income people. You know? And everybody took you at your word and honestly thought you were taking off the 7 per cent sales tax.

Mr. Minister, how can a social democratic government in this province who has talked about eliminating sales tax over and over and over again, now come into this legislature, not take it away, but actually increase it, knowing full well that they could have done this province a far bigger service if they'd put their politics aside and listened to some sound economic advice.

Hon. Mr. Tchorzewski: — This New Democratic Party as an opposition never said at any time, or as a government in the 1970s, has never said at any time that the sales tax would be eliminated. Education and health tax has been around for a long time. We said we would do away with the harmonized portion of the PST.

Well let me read the program card. I've got it here. This is: "Let's do it . . . The Saskatchewan Way". The election program card of the New Democratic Party in the last election in which we've said that: "We will repeal this unfair tax". And we were talking about the 7 per cent harmonized PST.

That couldn't be more clear than that. The only people who said that the promise was other than that were the members of the opposition. And most people in Saskatchewan didn't believe them. And that's why, I guess, I'm answering the questions and the member from Thunder Creek is asking them.

Mr. Martens: — Mr. Minister, I want to make some observations about what you committed yourself to in this Assembly in the past. And I want to use the member from Churchill Downs as the example.

When we discussed harmonization he stood in his place right over here and he said, harmonization, one tax, is better than anything else. Just have one guy collecting it and it makes a whole lot of sense. And the member from Churchill Downs . . . if the other members of the Assembly don't remember that, look in *Hansard* and you'll find that the member from Churchill Downs stood

right in his place, right over here and he said, one tax is way better than anything else. Harmonize it. If you do anything, anything, Mr. Minister of Finance, harmonize it. How come you didn't pressure him to harmonize it?

And I'll just point out some other things. I had a hardware . . . appliance store in Swift Current come to me during the election — and the proprietor is a good friend of mine — and he said, can you tell the people, please, that it's only the portion of the expanded PST that the NDP (New Democratic Party) are promising to take off? Because, he said, nobody else is telling them. And he said . . . And I'll tell the member from Swift Current it was Voth Hardware. And if you don't believe him, you won't believe anybody. Go talk to Abe and he will tell you. He will tell you exactly what I told you, and he's the one that told it to me. If you don't believe me, you go ask him. I challenge you to do that . . . (inaudible interjection) . . . He is in Swift Current. Voth Hardware is in Swift Current, on 1st Avenue West.

Mr. Minister, the toy minister from Churchill Downs stood in his place right over here, and he told the people of the province of Saskatchewan harmonization was the best thing to do. And do you know why? Do you know why? Because businesses were going to have a way of being competitive. Businesses were going to have a way of being competitive and that, Mr. Minister, was exactly the reason that he used over and over and over again.

And how come he hasn't influenced the real Minister of Finance in determining that that was a real . . . a pointed observation that had merit. And then the pressure came from this side of the House at that time. The NDP said over and over again, harmonize. It's the best. It might not be the most appealing as far as voters are concerned, but it's the best thing to do under the circumstances.

And that, Mr. Minister of Finance, is what the member from Churchill Downs, who's the Associate Minister of Finance, told us in this Assembly many times. As a matter of fact I would suspect that even your Premier even indicated that a blended tax was better than what we've got here today.

I want to point out some things that I think are interesting. First of all I want to ask you the question, have you got the list of those items there that deal with the harmonization as a process where you have the items listed that were there under harmonization — the exemptions and the taxes for agriculture?

Hon. Mr. Tchorzewski: — I've already passed that over.

Mr. Martens: — Mr. Minister, I don't want an additional E&H tax list. I want the harmonization tax list that was there as of October, 1991 where the harmonization was going to flow as exactly as the federal government harmonization in agriculture exemptions.

Hon. Mr. Tchorzewski: — There is no such list. I don't know of any of such lists and I don't have it. I don't know what the member is talking about. If the member wants to know what was being taxed, there is a whole list of things that were being taxed under harmonization in the first year and then everything was going to be taxed as of January 1, 1992, all services.

But what was added in the first list was children's clothing and footwear, adults' clothing and footwear, costing less than \$300 per item, yard goods, books, magazines, periodicals and newspapers, including subscription purchases of these items, meals and prepared foods, snack foods, candies and carbonated beverages, non-prescription drugs and medicaments, drugs and medicaments for pets, pet food including vitamins and dietary supplements, natural gas and electricity used in residences, disinfectants and germicides. That was the list of the new items added under the harmonized PST. Everything else was going to be added on January 1 of 1992.

Mr. Martens: — Mr. Minister, I'm sure that the Department of Finance has those available because they will have had to do the comparison in 1991. And given the amount of volume of work that was done on each of those items, I'd like you to provide for us that list of information on those items from the GST that would be harmonized with the provincial sales tax, and how many of them in agriculture would be exempt then?

Hon. Mr. Tchorzewski: — I still don't know what the member's asking for sure. But I provided him a list on the education and health tax information for farm implement and farm supply dealers, which is a list of things that are exempt for farmers, and things that are taxable for farmers. Obviously, those things that are taxable would have been eligible for the rebate.

Mr. Martens: — That's precisely the point, Mr. Minister. They would be eligible for the rebate. And they'd be eligible for all of it, even the ones that you have on this list that are taxable.

Now a constituent of mine wrote you a letter. And he wrote you a letter regarding a trailer that he pulls his dairy cattle back and forth with. He wrote you a letter. He wrote me a copy of it and I said it probably would have been better if he'd have sent one with pictures. You'd have better been able to understand it. And that, Mr. Minister, is a fact.

You don't understand that this volume of commodities that are here under the tax payables by agriculture in the province of Saskatchewan is a significant amount. You don't understand, for example, that when I buy a two-by-four to build a granary, that's not tax exempt. I buy a piece of plywood to build my loafing barn, that's not tax exempt. Under the process that would have been used under harmonization, that would have been exempt.

And, Mr. Minister, this volume of items here is significant. And I believe, Mr. Minister, that it is significant enough to have made a significant difference on the buying power and consumer benefit it would have been to those people in the communities where agriculture buys its services. They would have been able to buy those services, Mr. Minister, and use the money to go buy hamburgers. They could have used the money to buy books. They could have used the money to buy all of those things that they weren't exempt on and far more.

A 10,000 GST rebate for agriculture on my farm would have been . . . well it is significant, Mr. Minister. It in fact will buy more than hamburgers. How many 7 cent hamburgers will it buy? A whole lot more than anything that you could ever dream about. And those are consumer goods. So the consumer gets the benefit.

I am a consumer. I am a consumer of services when I take the items that I buy as purchases in my ranch, or in my farm. And, Mr. Minister, those are the same kinds of benefits that would have accrued under a small business. As a matter of fact, in meetings we had with small business here in this — number 218 here in the legislature — we met with the industrial base, people like Degelman, people like IPSCO, people from the various parts of the manufacturing and processing.

Degelmans, for example, told us that they would have a benefit of \$50,000 a year under this rebate. How many jobs would that have given in promoting sales in the province of Saskatchewan? One and a half for sure. Would they have been able to increase that opportunity to develop and expand their market elsewhere? IPSCO told us that it would make them competitive at least another 200 miles further — both for bringing iron material in and moving iron material out.

And, Mr. Minister, those are the things that cost in job creation. You don't even begin to understand the value of that in anything that you have said, you have told us. In fact I think your regime of higher taxes in power, higher taxes in telephone, higher taxes in general insurance, higher taxes in your surtax, higher taxes in all of the items that we have in E&H here are all items that are going to cost jobs. Have you figured it out, how many job losses we're going to have because of the taxes and E&H in the province of Saskatchewan? Have you figured it out to tell us how many that would be?

Hon. Mr. Tchorzewski: — On the 1 per cent E&H the impact will be minimal. At 65 . . . \$62 million is what 1 per cent in the E&H is going to bring to the treasury this year. A tax increase in an economy of \$21 billion, the impact of that is going to be minimal.

Mr. Martens: — Mr. Minister, 65 million on this tax and 65 million or 62 million on the surtax, I believe you said earlier, 65 and 62 — those two items together. How much additional is the power? How much additional is the telephone? How much additional is general insurance? How much on all of the tax burden is it going to cost in jobs in the province of Saskatchewan? That's what I'm asking you.

Hon. Mr. Tchorzewski: — Mr. Chairman, we went through this the first day of this committee. I answered the question then, and we're now repeating the questions by probably the same member.

But as I said on the first day, I'll say again today. There is no doubt that there is some dampening impact of the kind of expenditure reductions and the kind of tax increases that have been put into place. But in spite of that, we are still predicting, and every independent analysis that's been done of this budget shows, that there will be positive growth in the economy, and positive growth in net jobs in

Saskatchewan in this year.

Mr. Martens: — Well, Mr. Chairman, and Mr. Minister, I don't think you're right. Your volume of tax increases and the corresponding decreases in some secondary processing in the province of Saskatchewan is going to have a serious, negative impact.

We'll just take the hogs and the feedlots in the province of Saskatchewan. By reducing the impact, by reducing the volume of expenditures to the hog industry and to the feeding industry, you are in fact going to lose 1,500 jobs in the province of Saskatchewan. Top that all off with the kind of job losses you're going to have from overtaxing.

And we're trying to tell you, Mr. Minister, that you've reached the point of no return in this. How many jobs are you going to lose because of these tax increases? Put them all together and give us a number.

(2100)

Hon. Mr. Tchorzewski: — Mr. Chairman, the point of no return was the size of the deficit and the debt. That's the point of no return. If we didn't have this huge debt that's choking — not choking but close to choking — the province of Saskatchewan, we wouldn't have to do these things. That's a debt which we inherited. That's a debt which the member opposite know the credit rating agencies have said is beyond, almost beyond, what the province could sustain. We have to deal with it. Now I don't know whether the members opposite would have dealt with it had they been on this side of the House after the election, but we feel we have to deal with it.

Now although there are tax increases, there are other things happening in the economy — because you have to look at the economy as a whole — which mitigate against the impact of the tax increases. There's a lower interest rate, significantly lower, which is having a positive impact. There is a decreased value of the dollar compared to the United States dollar, 83 cents. Very significant impact that comes out of that.

There is a strengthening in the oil sector, in the oil prices, not big but it's higher now than we had predicted in the budget and that's got a positive impact. Same thing with uranium and same thing with potash. We have an inflation rate that is in the realm of the 1 per cent range or less. All of those things mitigate against the impact of some of the things like the tax increases and therefore indicate, as others have said, positive growth in the economy this year.

Mr. Martens: — Well, Mr. Minister, is it true that those things would have occurred anyway to mitigate against the benefit and would they have happened in any case? That's the point, Mr. Minister. You tell me whether they would have happened with harmonization and without.

Hon. Mr. Tchorzewski: — Obviously a lower interest rate and a lower dollar, strengthening of the oil prices and inflation is something that we don't influence overall in the province of Saskatchewan — certainly they would have happened, but they are positive things. I'm not standing here saying I caused them to happen or the

government caused them to happen. Sometimes people overestimate the impact that governments have overall on the economy. They can have an impact but it's not the only impact that exists on the economy.

Mr. Martens: — Well, Mr. Minister, why not allow the people of the province to benefit from those mitigating circumstances of lower interest rates, lower inflation? Why not allow the people of the province of Saskatchewan to create jobs in the province of Saskatchewan so that we can have more opportunities, rather than having what's happening in Saskatoon where you went from, what is it, 12,000 people on welfare to 15,000, and . . . or 15 to 19 in Saskatoon, and 12 to 15 in Regina here. Those are the kinds of numbers that we're talking about. Why are they there? Are they there because people don't want to work? I doubt it. You find them a job and they'll go to work and that's the kind of thing.

You're using the interest and taking it out of the economy in taxes. You're using the low inflation and you're taking it out of the economy in taxes. You're using the lower dollar, American, and pulling it out in taxes, and that's what we're concerned about, Mr. Minister. Every one of them is lowering the opportunity to have the people respond in providing jobs.

You made a reference here just earlier to the fact that it was outside circumstances. I believe that that's absolutely accurate. The question, Mr. Minister, is this: how many jobs are we going to continue to lose so that you have to pay more and more money out in welfare? Is 62 million going to pay for an increase of 6 or 7,000 jobs on welfare that are going to have to be paid for this whole year? And maybe we're going to have another 6,000 by the end of the year, taking that only in Saskatoon and Regina. And those people need jobs, Mr. Minister.

You're taking the money out of the economy. When all of these other factors should flow in to give you a positive impact, you're taking the money out so that they can't use it. And it's the small business who are suffering. It's agriculture who is suffering. And you've just yanked it all out, and you've made us uncompetitive. And when we say that you're going to lose jobs, you're going to lose lots of jobs when this starts to steamroll the other way.

We're not against having you build the economy. In fact, in your own statements that we read earlier here in question period, you said that it was the pulp mill, it was Husky Oil, it was the fertilizer plant, that was going to be the economic growth for the province of Saskatchewan. And who did that? Did you? No, Mr. Minister. And, Mr. Minister, we're saying that the same economic benefits would have accrued if you would have given small business the opportunity to deliver on those things by giving them harmonization. And I believe that. In fact, the chamber of commerce in the province said exactly the same thing. People from all over the province said exactly the same thing. And you went against it just for politics. And that, Mr. Minister, is exactly what people have told us over and over again. Mr. Minister, how many jobs — I'm going to ask again — how many jobs are you going to lose because of this?

Hon. Mr. Tchorzewski: — I can't predict what that will

be. The fact is, in net terms there will not be a job loss. In net terms there will be additional jobs created in this economy in this year. I've already indicated that there would be up to 2,000 jobs in addition to the jobs that are already there.

But I just want to make this comment, Mr. Chairman. The member seems to lose track of this. There is a tax increase, 1 per cent on the E&H in this particular case. Without the tax increases, we would have had a deficit of \$800 million. That's a disincentive for job creation. That's a disincentive . . . The member says no, no, no. Well where would he have got the money? If you don't have a tax increase, if you don't have some additional revenues, you don't have the money. There's no greater disincentive to investment and job creation than continuing to run unsustainable deficits, which was the case in the last 10 years.

We said in our election platform: first things first; common sense financial management; open the books; a public independent audit of the province's financial affairs to cut government waste and mismanagement; a comprehensive review of all PC (Progressive Conservative) privatizations and business deals to determine if they are in the public interest; a balanced budget in our first term of office; and a 15-year plan to eliminate accumulated Devine deficit. That's what the program card said. That's the way you get jobs and the economy running — by creating that kind of confidence, by showing that you're prepared to provide that kind of financial management. This budget does that.

And that's why, although the credit rating agencies have lowered our rating, they said they did it because of the debt that existed. But every one of them also said that the measures that the government is taking to handle that debt is something that's commendable and it's on the right track. Now that's a pretty good report card, in our opinion, and we're on the right track.

The difference, Mr. Chairman, is that we're prepared to do it, while members opposite, when they were in government, would only talk about it. I have here a quote from the former premier who said it's a betrayal of the public to create huge deficits for future generations to pay, not to try and fix them. That was a quote. That's what he said. I wish the member from Morse would agree with that. Unfortunately the former government never agreed with that.

I have another statement from the former premier, the member from Estevan. *Grainews*, December 1982: deficits are just a deferred tax that must be paid by future generations. I have a quote here from Bob Andrew, minister of Finance under the former government: we believe that all governments must work in concert to reduce budget deficits. Failure to accomplish this will force harsh financial penalties on our children. It is inevitable that mounting deficits will result in unwanted reductions of government services and tax increases.

In 1984, the Conservative minister of Finance predicted the kind of financial crunch we would have to deal with, but about that time somebody shuffled him out of the Finance portfolio and the former government never paid

any attention to that advice.

Today we have a financial crisis. And today we've got to deal with it if we are interested in the future of our children. And we're interested in the future of our children.

Mr. Martens: — Well, Mr. Minister, I'll tell you where you could have gotten some more. You could have taken the Liquor Board, which has \$150 million out of it, and you decided to leave it there. You could have taken the profit, \$118 million, and still left 115 with SPC (Saskatchewan Power Corporation).

You could have taken 40 million out of SaskTel. Or did you just by chance have to pay these guys off who voted for you? The employees of SaskTel, is that where the 40 million went? What about the 15 million in SGI (Saskatchewan Government Insurance)? Those three agencies, power, telephone, and insurance, with their reserves is almost \$400 million.

When did you decide to raise the rates there? After you saw how much money you could really suck out of the Saskatchewan economy? And now you increase the taxes so that small business can't benefit; agriculture can't benefit when they're in the tightest squeeze they've had since the '30s. And, Mr. Minister, all you did was say, excuse me but here's another tax. And that's what the people are grumbling about.

Another thing I want to point out, you could have had \$200 million with harmonization. Did you ever think of that? And they were prepared to deal with it. But no, you decided not to. You decided not to give small business, farmers, and ranchers — small business in this province — a benefit of an opportunity to stimulate the economy, to drive the economy, and to establish a better opportunity.

I don't think we got an answer earlier for the volume of dollars that we get from export versus what we consume ourselves. Have you got those numbers available for us?

Hon. Mr. Tchorzewski: — I'm sorry, I thought the member was in the House when I gave that information at the very beginning after 7 o'clock, that one-third of the economic production in Saskatchewan we export.

Mr. Martens: — One-third we export or two-thirds we export?

Hon. Mr. Tchorzewski: — Well clearly, that's on the record. Mr. Chairman, I don't know, Mr. Chairman, whether this kind of repetition is permissible. But clearly at 7 o'clock one of the first questions that was asked is exactly this question and I gave the information. One-third of the Saskatchewan economic production is exported out of the province.

Mr. Martens: — Well, Mr. Minister, the point why I asked the question is to show you that the lower our input costs are in the province of Saskatchewan, the more benefit that \$7 billion is in relation to the economic growth in the province of Saskatchewan. Those aren't large companies that provide that economic

growth. That economic growth probably comes from wheat, durum, canola. It probably comes a little bit from the manufacturing sector, a significant amount from the gas industry, and a significant amount from the oil. And those areas, Mr. Minister, in this province are small business.

Why didn't you give them an opportunity to be competitive? That's the question. You increase the taxes and reduce the competitiveness of the industries to compete in the international market. Why did you do that?

Hon. Mr. Tchorzewski: — Mr. Chairman, we cut the small business corporate tax rate by 1 per cent. We are, in three years, eliminating the E&H tax on agents in processing and manufacturing. That will make them more competitive. That's a start. That's a targeted approach. We don't think the potash industry needs to have a Saskatchewan taxpayer subsidize it as the harmonization would have done. So we have not made that kind of a decision.

Mr. Martens: — Well, Mr. Minister, the taxpayers in this province are used to subsidizing those agencies that you purchased. At the beginning they subsidized Saskoil. At the beginning they subsidized PAPCO (Prince Albert Pulp Company); they subsidized the potash plants; they subsidized all of that stuff. And, Mr. Minister, we subsidized that for years. People in this province have always subsidized those and they haven't carried their weight. That, Mr. Minister, is a fact. And if you go back to the 1970s, you'll find out that it is absolutely a fact.

Mr. Minister, the one that you mentioned, the potash, is probably the only one that is exported that has significant impact in the markets other than to deliver a small-business benefit impact.

And that, Mr. Minister, is not allowing those people who are in the service industries and in the agriculture and ranching to have an opportunity to show the world that they can be competitive.

(2115)

Mr. Minister, agriculture needed that. Instead you took it all away on them. You took it and delivered it, drew it right out of them. Is that a punishment, Mr. Minister, for having them vote Conservative, perhaps? Is that a punishment for having them vote against a decision by you to say that they would want to have the GRIP '91 (gross revenue insurance program) — is that a punishment? — rather than '92?

And, Mr. Minister, I want to say that I believe that that is exactly why you're doing it. And as a matter of fact, the way you're funding the level 1 and level 2 care in the two years is also an indication to me that it's crush rural Saskatchewan at all costs.

Because the senate from Regina, those people who are elected to the city of Regina will always have their seats. And that is what you have done, Mr. Minister. You've retired to the city. And you feel comfortable in your seat, so I can tax those people in rural; I can tax small business in rural; I can reduce services in rural. And, Mr. Minister,

this is supposed to enhance the opportunity in rural Saskatchewan because this is an education and health tax.

And that, Mr. Minister, I don't believe is stimulating the economy one bit. In fact, businesses in my constituency are going downhill and having a very difficult time. And, Mr. Minister, you . . . (inaudible interjection) . . . the minister said it's the GST. Well I'll be. Agriculture gets all the GST back, sir, and that is a fact.

And we would have got a list, a substantial list of tax dollars back if we would have been able to use this kind of an opportunity to deliver back to us some of the inputs that we give to the province of Saskatchewan, and allow us the discretion on consumer goods to deliver that.

Mr. Minister, I'm going to read a statement and I'm going to see if you can confirm who said it. NDP finance critic stated that his party supported this 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.

And that member happens to be the Finance critic from Churchill Downs, the Associate Minister of Finance. That, Mr. Minister, was as late as March 15, 1991. There's a second statement. Harmonization was recommended by NDP MLA from Churchill Downs who felt it would be simpler to have one tax — the Moose Jaw *Times-Herald*, February 21, 1991.

An NDP government would harmonize the taxes but at a lower rate than the combined 14 per cent, the toy minister of Finance, the Associate Minister of Finance said to the *Leader-Post* on February 21, 1991. As far as harmonization, harmonizing the two taxes, we have said that it would only make sense if the federal government was prepared to make concessions in removing items such as farm inputs from the tax base.

Which they did as a subsequent discussion later on. And that, Mr. Minister, was made on October 15, 1990. And, Mr. Minister, if I had the time I'd probably be able to find in *Hansard* where that member said exactly the same thing. He spoke for your party; he spoke on your behalf and saying that one tax is better than two. It might be at a lower rate, but it should be necessary to harmonize. And that cost, Mr. Minister, is costing the people of Saskatchewan \$5 million a year to not harmonize. The Finance critic at the time, the member from Churchill Downs who is now the Associate Minister of Finance, said that. Why didn't you take his opinion then as something substantial to deal with in the cases that we've got presented here today? Why did you take his advice then?

Hon. Mr. Tchorzewski: — Mr. Chairman, I'm looking at the program card of the election platform of the New Democratic Party in the last provincial election, and with regard to the expanded 7 per cent PST, we stated clearly, we will repeal this unfair tax. A promise made, Mr. Chairman, a promise kept, because that was the policies of the party in that provincial election.

Mr. Martens: — Well, Mr. Minister, you don't believe

your critic at the time, the Finance critic, the member from Churchill Downs; you didn't believe him then. You didn't believe it when he said we should harmonize and put the two together. Maybe you'll believe it when your leader told us in the province of Saskatchewan that he was going to harmonize. The fairest and most sensible way to proceed would be to harmonize the two sales taxes — a Saskatchewan New Democratic news release by the now-Premier of the province of Saskatchewan on October 3, 1990. Did you say that? Oh no, we never said that; we never made that commitment. Your leader did. Your leader did on October 3, 1990. That's what he said — the fairest and most sensible way to proceed would be to harmonize the two sales taxes. And he made a news release, he made a news release on that item.

The next one it says, and another news release by the New Democrats — a side by side tax is preferable to a tax on a tax. And then he went on to say in October 4, 1990, he said he wouldn't say whether the NDP supports harmonization, argued it isn't the right time for the NDP to say how it would handle the issue. Well we're finding out, we're finding out, Mr. Minister, we're finding out that the Associate Minister of Finance, the Premier of the province of Saskatchewan today, said that it was a fair way to do it. It may be less, but it was a fair and reasonable way to do it.

And, Mr. Minister, you stand in here to say, well we had a brochure that said. Well I've got a brochure that says that the Premier who selected you to be his Minister of Finance said it would be done. Another one in the *Star-Phoenix*, Mr. Minister, he, the now Premier, said an NDP government would not be bound to a harmonized sales tax, but he refused to say if the change would be reversed. Now we got him standing with both feet firmly planted on either side of the fence. That was on March 22, 1991. He's beginning to shift his focus here a little bit.

The next one, when asked if the NDP would change the system back if in the mean time the government passes its harmonization plans in the legislature, the now Premier was non-committal. Oh he's starting to fudge. At the start he says, yes, it's a good idea, just like the Associate Minister of Finance said, yes, it was a good idea, *Leader-Post* on March 15, 1991. In the past the now Premier has refused to offer an opinion on harmonization. Well we go from saying yes, it's a good idea but the rate should be less, to well maybe, I don't know for sure, to today where we've got it on the other side of the fence.

Expediency based on what, Mr. Minister? It had nothing to do with fact. It had absolutely nothing to do with fact and that, Mr. Minister, is borne out by the sweeping change that went over the party over there from October to March — October, 1990 to March of 1991. That, Mr. Minister, was real decision-making time in that party. It showed no plan then and, Mr. Minister, it shows no plan today.

Yes. And I hear some back-benchers say they had two plans. And, Mr. Minister, they had more than one brochure. But there was a brochure floating around my constituency that had a rural development program in it and when you opened it up, there was nothing in it.

And that, Mr. Minister, is exactly what we have here today — a Premier who doesn't understand economics, a Premier who doesn't understand what he stands for, and his critic who told him what to say, who doesn't understand it either. And that, Mr. Minister, is why we are asking these questions on this basis, to try and make you understand that there are economic benefits that would have accrued to small business, that would have accrued to agriculture in the province of Saskatchewan. What for? It was to stimulate the economy.

And, Mr. Minister, I don't believe you when you say your focus on tax increases is going to be neutral because you increase the taxes on one hand and the economy deals with itself in lowering the interest rate, lowering the inflation rate, and lowering our export opportunity to the United . . . or enhancing the opportunity to the United States because our dollar is lower.

Mr. Minister, you had nothing to do with those. You could have harmonized and delivered the same kind of benefit where we could have taken advantage of them, but you failed to do it. You failed to deliver on any of that. And that, Mr. Minister, is why we are questioning the validity and the value of all of these commodities that we are dealing with in relation to this Bill.

We don't agree with you; we probably never will. And that, Mr. Minister, is exactly why we want to point all of these things out to you. My colleague from Maple Creek has some more questions for you.

Mr. Goohsen: — Thank you, Mr. Chairman. Mr. Minister, I have a question for you. As I was pondering and working my way through my correspondence here the last few minutes, I discovered a few questions that are linked to this particular question and this increase in taxation. Now the question . . . and I'm going to give it to you and then I'm going to give you a minute or so to reflect on your answer, because you may want to put together a really good argument for this one. One of my constituents has asked the question: what are the positive things that this increase will produce for our province?

Now we've reflected for quite a while this evening on what we think to be some of the negative things that will happen, and so I guess in all fairness we should allow you a minute or two to tell us what are the positive things that an increase in taxes can do to our province, an increase of 1 per cent, or 1 cent, which is 14 per cent increase on the provincial sales tax. We've shown you, as I've said, all the things that we think are going to be bad about it, so tell us what the good things are.

Hon. Mr. Tchorzewski: — Well, Mr. Chairman, clearly it's going to help get the debt and the deficit under control. It's going to get the trajectory of the financial affairs of this province on the deficit side downwards so that we stop building and accumulating this huge debt which is strangling our financial capacity to do things that any government would like to do. It's guaranteeing the future for our children by beginning to manage the financial affairs of the province.

And it's meeting the first commitment that was made in

the election platform, the election program of the New Democratic Party, and that's first things first, common sense financial management. Getting the deficit under control and working towards a balanced budget so that we can guarantee a future for our children and their children, rather than choke them with debt and deficit which would in the end bring them even more taxation.

Mr. Goohsen: — Well we've given you an opportunity to expand and you've taken the short road out. I'm quite sure there must be a lot more going on in this province than that. But in reading these last couple of letters here, I also find one of my constituents wanting to know what you are doing to improve the provincial credit rating and will this increase in taxation assist in improving our credit rating in the rest of the world?

Hon. Mr. Tchorzewski: — Mr. Chairman, what will improve the credit rating is to get the financial affairs of the province under control, and the credit rating agencies have acknowledged that this budget begins that process.

Mr. Goohsen: — Thank you, Mr. Minister. Now you and your colleagues, and you in particular this evening, have indicated that you believe that there is a financial crisis in our province. And I think I have to agree, certainly in some specific areas, there is definitely a financial crisis. And I want to know, what are your personal views on how this crisis can be overcome?

(2130)

Hon. Mr. Tchorzewski: — Well, Mr. Chairman, it's not a question of my personal views. I speak on behalf of the government. And you get this crisis under control by beginning to get a handle on the deficits and the growing debt. That's what this budget does.

Mr. Goohsen: — Well, Mr. Minister, you've alluded to a very simple sort of answer for what we consider to be a very major problem. And I don't think it's quite that simple. You discussed earlier the fact that you felt that we have one kind of a taxation system that's different, especially in health areas, to that in the States, and of course we all know that in Alberta they have a much different approach to the funding of the health program.

And having thought about those kinds of things and the differences in our taxation processes, I got to thinking about an article I read in the paper earlier today that alluded to someone suggesting that we might have to put our three prairie provinces — Manitoba, Saskatchewan, and Alberta — into one economic region and come up with one system of government, one system of taxation. And I'm sure that you will have read that and probably discarded it as nonsense, but there are people who genuinely think that this may be the future role of our prairie region as we find ourselves continuing to depopulate and continuing to find ourselves without a tax base with which to recover from our financial woes.

My question of course is going to be to you tonight: if that happens, which taxation system do you think is going to survive — yours, Alberta's, the American one, or some new taxation system? Which one will it be? Will we have a health and education or PST tax that's going to fund our

different systems, or will we go to one of the other systems?

Hon. Mr. Tchorzewski: — Mr. Chairman, I don't deal in if's, and that's a hypothetical question and therefore I have no answer to that question because I don't at this point in time anticipate that that'll happen. But I want to point out to the member that what we're doing here is dealing with the huge, horrendous debt which the former government left the people of Saskatchewan with after they were defeated on October 21, 1991.

And I refer the member to a very important document tabled by the minister of Finance, Mr. Hepworth, called *CHOICES*, and here's what he said:

Continuing deficits, and the debt that results, threaten the Province's future. Rising debt servicing costs are using up an increasing amount of the Government's revenue, limiting the amount of funding available for other programming.

Mr. Chairman, that's pretty clear. The former minister of Finance believed it was necessary to do that. We believe that it's necessary to do that. The former government took no action to do that because if they had we wouldn't have a \$15 billion debt today. Now maybe the member from Estevan will say, well they did in 1991-92. I will ask him, where was he from 1982 until '91-92 when the damage was done? We're addressing that damage in this budget.

Mr. Goohsen: — Well, Mr. Minister, it may be at the start of your reply hypothetical as you say, but the reality is that it's not so hypothetical when you stop to think about the realities of all of the problems that we've been discussing here tonight.

Let's go back a step and recall now. We've talked about cross-border shopping problems that are created by your system of taxation, a system that was created, as you pointed out, 30-some-odd years ago by a then CCF (Co-operative Commonwealth Federation) administration attempting to fund health, basically, and education of course, as well. The reality of life is, sir, that in Alberta they took another approach and they direct-taxed people by an annual fee. And they don't put an education tax or a health tax on their goods.

Therefore we have created for ourselves the cross-border shopping problem. We've created it with our system of taxation not being synchronized with the systems of taxation that our neighbours use. I'm not saying that our system is necessarily bad, not necessarily even wrong. But it's different, and the fact that it's different means that we are putting ourselves into an unfair position as trading partners to our neighbours. And if we don't smarten up and change that, they sure as the dickens aren't going to change it for us. They're going to continue to take our shoppers and our money. Why wouldn't they?

We are the only ones that are losing. Saskatchewan is losing. We are therefore the province that has to change.

We are the ones that have to get into synchronization with our neighbours through taxation systems that work in harmony with the people around us. If we don't do that,

we will continue to lose our economic strength, we will continue to lose our competitiveness, and we're going to continue to lose, in the end, our people. Because our people are going to follow the flow of economics, and the flow of economics is to the West, it's to the South, and it's any place out of here. I guess not so much to the Northwest Territories, but I think there's probably even a few that are heading that way.

The reality of life here is that we are the ones that are not following the mode of the rest of the people. And they're not going to change, so you've got to do the changing. You're the one that has to set the pattern.

And I want to discuss with you, when we're thinking about this money and the amount we're going to be spending, or earning to be spent, \$62 million is alluded to as the amount that this will bring in. I say to you that it will be that if in fact we have enough people with enough money to be able to spend on anything so that there's an 8 per cent tax charged on something, which is becoming doubtful in these days as we go along. So as people spend less money to buy goods, that figure could even drop.

But I want to know, sir, what percentage of that \$62 million does go to health care in the province of Saskatchewan.

Hon. Mr. Tchorzewski: — The member opposite wants us to synchronize with Alberta. Well I want to ask the member opposite, does he want us to synchronize with Alberta's deficit this year, which is \$2,300 per capita? Our deficit has been brought down to about \$500 per capita. I don't think we want to do that, Mr. Chairman.

Alberta is making the same mistakes as the former government in Saskatchewan made in the 1980s. Alberta doesn't have a sales tax because over a period of time it had huge and immense oil revenues and natural gas revenues. So they didn't have to have a sales tax.

But the papers in cities like Calgary and Edmonton are chock-full of the oil industry and chamber of commerce saying to the Alberta government, it's time to consider a sales tax. Because at least the business community in Alberta is beginning to realize you can't continue to accumulate debt the way the Alberta government has been doing in recent years. Because the example of the impact of that is clearly seen in the province of Saskatchewan where we have the highest per capita debt in all of Canada. That's unmanageable; it has to be brought under control.

I am not one who is going to suggest or support the synchronizing of the kind of per capita debt or deficit, annual deficit like you have in the province of Alberta; \$2,300 per capita as opposed to ours of about \$500 per capita. That's too high and we would like to bring it down, and we are going to bring it down until we balance this budget in the next few years.

Mr. Goohsen: — Mr. Minister, as I ask my next question I wonder if you would consider answering the last one as well which was, what percentage of the \$62 million will go to health care in our province? Now you've suggested that Alberta may be considering some alternatives. I think

that's probably a reasonable thing for any government to do. You might just get lucky and have them put a sales tax on and help to bail you out of the problem that we're in. But I wouldn't bet my last pair of shoes on it, because if I were you, I think you might possibly end up losing.

I think probably Alberta has got a government that is going to continue to have their province grow and prosper. I wonder, when you allude to the fact that they are considering alternatives, have you and your colleagues considered any alternatives to this increase in taxation? And if you did, what were they and how would they have worked?

Hon. Mr. Tchorzewski: — Indeed, Mr. Chairman, during the budget deliberation we considered the whole range of tax opportunities that exist now and we decided on the ones that are before us now.

Mr. Goohsen: — All right, we'll go back two questions. My second last question which you still haven't answered was, what percentage of the \$62 million will be spent on health? If you'd like to answer that along with the last question that I have asked that you didn't answer, what alternatives did you consider and how will they work? And if you want to go on to another question so you can bypass them all, can you provide us any concrete evidence that you in fact looked at any other proposals at all?

Hon. Mr. Tchorzewski: — I am not sure if I got the last question, but we are expending in this budget 2.461 billion on education and health. That's a significant part, almost 50 per cent of the budget. That's what's being spent there. The revenues from various taxes aren't targeted for any particular program area. They go into the Consolidated Fund. Then out of the Consolidated Fund you allocate money as you have available for different kind of program areas depending on the priority of the day.

Mr. Goohsen: — We're doing well. I ask three questions in a row, then I get the answer for the third last one. So I'll ask you the last two over and a new one so that we can get the third one back answered.

Now did your cabinet consider any alternatives to this tax, and if you did, what were they? Second question, how would they work? And the third question, do you have any concrete evidence that you in fact looked at anything else as an alternative?

And now I'll throw in a fourth question. Maybe you'll answer two at once. If your Agriculture minister has made an error — I want to put this as tactfully as I can — if he has made an error in his judgement on the handling of the GRIP program, and if in that error by allowing the federal government off the hook for two hundred millions of dollars that could have come to the province of Saskatchewan's agricultural producers, if he has made a mistake and if there is a call for a lot of money to be paid out because of some kind of crop failure or disaster, are any of these monies going to be allocated to bail him and his departments out when they find out that they've lost all that money?

Hon. Mr. Tchorzewski: — This question, Mr. Chairman, I did answer. And I said we considered all of the various tax options that are available to us and decided that the ones that are before us in this budget are the ones to go with. We're not here debating the GRIP program, Mr. Chairman. And therefore I am not going to get into debate of the GRIP program. We're talking here about the 1 per cent increase in the E&H tax.

Mr. Goohsen: — Well in all fairness, Mr. Minister, you did say that this \$62 million that you would collect from this 1 per cent increase would go into consolidated funds. You also said to us that consolidated funds is used to pay the bills of the government.

Is not the Department of Agriculture and the Department of Rural Development and the programs of Crop Insurance and GRIP a part of your government's administration? Is it not a responsibility to Finance? And if it is, will not some of this money end up being spent to bail that fund out if it finds itself in a deficit situation?

GRIP does come into this problem. The monies you're raising through taxation are the monies that are going to pay the bills. And if it all goes into consolidated funds, what percentage of that money are you going to use to bail out the GRIP program?

Hon. Mr. Tchorzewski: — Well, Mr. Chairman, none of this money would go to any additional expenditures if there happened to be some, because this money is already allocated. If that had to happen — I don't predict that it will — it would have to be borrowed money.

Mr. Devine: — Thank you, Mr. Chairman. I wonder, Mr. Minister, if you are able to provide us with a complete list of the commodities or various items that farmers pay sales tax on, that they would have been exempt on if they had harmonized?

Hon. Mr. Tchorzewski: — Mr. Chairman, once again, I've answered that question about a half an hour ago. We're going into repetition again. The list that I provided, which I handed over to the member from Thunder Creek at the beginning of this committee, when the former . . . Well I won't say who was here or was not. But the question has already been addressed and we've had a discussion on it. We're now repeating the process again. But the list provides both the exempt items and the items that would be taxable.

(2145)

Mr. Devine: — I'm not sure that we have got anything close to the list that I have here, and it's a lengthy one, that farmers pay taxes on. And obviously they don't get any break, they just pay. I could put them in here for the record but there's an awful lot of items that they have to pay tax on where they wouldn't have to pay if they were harmonized. In other words, were sales tax free for the agricultural sector. Do you have a complete list? Maybe while you're looking there, Mr. Minister, I'll just put a few of them in the record here.

For farmers, the following are some of the more common items on which tax must be paid by farmers. This is not an

all-inclusive list, but this list would be exempt if you were buying items under harmonization, and had the GST and the PST returned: aircraft, other than specially designed and licensed spray aircraft; all-terrain vehicles; building materials including paint; cellular telephones; cement mixers; chain saws; crawler tractors used for construction; electrical and plumbing supplies; fuel pumps; hand and electric storage tank pumps; fuel storage tanks; generator plants; goose-neck trailers; hand tools; heaters; radios; air conditioning equipment when purchased separately for farm tractor or other farm machinery; high pressure washers; home and multi-use heating, cooling, and water supply or air conditioning equipment.

And even things, Mr. Minister, like horse trailers; household appliances and furniture; lighting plants; livestock trailers; mercury lights; various kinds of nuts, bolts, other cultivator equipment; power plants; Quonset and metal material other than grain bins; road construction and maintenance equipment; shop equipment and welders; snow blowers; snowmobiles; sodium lights; storage tanks other than weed control chemicals; structures other than grain bins whether movable or immovable; tires other than low speed implement tires; trout cages and aerators; truck boxes; truck hoists; truck tarps; veterinary instruments including calf weaners; truck racks; water pressure systems; welder helmets; well cribbing, and the list goes on, Mr. Minister.

As a result of not harmonizing we see just one industry — which you could apply to the oil patch, you could apply to the steel industry, you could apply to potash, you could apply to uranium, pulp and paper, and so forth — all of those items would be sales tax free, which is a considerable amount of savings for anybody investing in these, which is everyday kind of investment, year in and year out. Would the minister acknowledge that. And I understand that he has acknowledged that sales tax harmonization would be a direct benefit to resource industries, but would he acknowledge that this kind of a list that I've just read for agriculture would be applicable for other resource industries, small business, anybody dealing in the business sector. If we had harmonization none of these would be taxed, or, in other words, the tax would be returned because all the GST and PST is returned to the individual business person.

Hon. Mr. Tchorzewski: — Mr. Chairman, I invite the member, because he is reading from the information bulletin which I passed over . . . And if he is going to be frank and honest with the House, he should read pages 1 to 9, because pages 1 to 9 also include all of the exemptions that are already available to farmers, valued at well in excess of \$200 million a year. That's the kind of benefit that the farm community gets from exemptions already in existence under the E&H tax.

Now harmonization would have included . . . harmonization would have included the rest of the list. Of course it would have. But who would pay? Who would pay, I ask. The consumer would pay. The retired citizen would pay. The widow would pay. Children who have to buy books, children who have to buy books to go to school would pay. People who have to buy reading materials would pay. The consumer would be upon

whom this tax would be shifted, because you can't rebate things out of the treasury unless you have some revenues that came to it. This tax, this harmonization, was shifting a large portion of the tax load to the consumer, the working people, the waitress in a restaurant, the schoolteacher, the labourer at IPSCO, the construction worker.

You see, the one thing that the former premier never could figure out, and refuses to figure out today, is that the tax system has to apply fairly to everybody and everybody should pay their fair share. Farmers don't mind paying some fair share of their taxes. They don't mind doing that, and so they should. Potash corporations should be able to pay their fair share of the taxes. But no, the member from Estevan says you should rebate it all to them, all of the E&H tax, 100 per cent. Well we don't agree with that philosophy because that is an unfair tax system and that's why the kind of harmonization that the former government implemented, we promised to eliminate — and we did.

Mr. Devine: — Mr. Minister, if you can provide a very competitive advantage to Saskatchewan businesses that are in the export business, and if we take agriculture and we take forestry and we take the steel industry and oil and gas and pulp and paper and potash and uranium as examples, fertilizer manufacturing, meat packing, and you can give all them a comparative advantage in exporting to the rest of the people and they bring that money home which is in a multiplier effect, stimulates the economy, wouldn't you suggest that that's an advantage to those industries and in turn they have money to spend to create economic activity?

Plus, Mr. Minister, if you provide a sales tax credit, a tax credit to lower income people, then you have helped the lower income consumer on one hand and you've completely allowed the industry side, small business, resources, and agriculture which Saskatchewan's all about, to have a competitive advantage. So you've helped the low-incomers in terms of taxes and you've taken the industry and you've stimulated it because it doesn't have to pay the taxes to compete with other provinces.

Now I understand, Mr. Minister, that you have admitted that sales tax harmonization is good for the resource industries, including agriculture, steel, potash, uranium, oil and gas, pulp and paper, and meat packing and the like in the province of Saskatchewan. Is that true that you've admitted that?

Hon. Mr. Tchorzewski: — Mr. Chairman, any time you cut a tax for some particular sector, it's going to please them and bring some benefit, but you don't consider taxation policy that way. You consider taxation policy on how it impacts the whole economy and the harmonized tax system that the former government introduced was going to have a negative impact on the whole economy, that was clear. Well the member from Estevan says it's not true. He might say that's not true, I disagree with him and I say that it is true.

Mr. Devine: — Well, Mr. Minister, you see what we're talking about is not whether we should have tax money to balance budgets, we're talking about how you tax. Isn't

that it? How you tax, all right. We're talking about harmonization stimulates the business community and creates economic activity and if you have low income offsets then it helps the consumers that don't have money.

Under your system, Mr. Minister, what have you got? You've got a higher deficit. You've got more families on food bank. You've got poverty taking a big leap forward and you've got your party members really worried about it. We're just trying to get that concept of, if you are going to raise a certain amount of money, would it be better to help economic activity so that you could get around the food bank increases and the welfare rolls and help those low-incomers as opposed to the way you're doing it? Which is, add more sales tax for everybody, consumers and farmers and the poor, and then raise utilities for the poor, because your power rates and your telephone rates and your SGI rates, they're on top of that, until you get poverty increasing in Saskatchewan, food banks increasing, your credit rating going down and you've got a bigger deficit this year than the year before, and the year before that.

Now all we're getting at, Mr. Minister, is perhaps the choices you made were not the appropriate choices. Because the business community, the chamber of commerce, the resource industries, small business — which I'm sure you must be interested in — small business says you should have harmonized.

They're still asking you to harmonize, stimulate the economy. And if you want to help low income people with the taxes, go ahead and give them a tax credit. And then you won't have to hit the utilities so hard, which hurt not only the businesses, and the farmers, but on top of that hurt the low incomers and the seniors. Your seniors have to pay all that. So, Mr. Minister, if we're talking about how you tax, and you've admitted the tax harmonization is good for all of business in Saskatchewan — the majority of which exports — there's large multipliers in creating economic activity and you can provide offsets for low income. Then, Mr. Minister, you're starting to get boxed in because your tax system has (1) higher deficit; and (2) all these people on food bank and all . . . and the welfare roll is increasing.

So, Mr. Minister, would you not acknowledge that when all of the economic activity in the province of Saskatchewan is benefitted — would you acknowledge now — from sales tax harmonization, and you can help the low income people with offsets, that it is less harmful to the economy than if you're going to apply the sales tax to business, utilities to business, income tax to business, as well as all the consumers. So you've taxed everybody. You say though that's equal pain, but you've got no economic activity. That's the problem. No economic excitement, no investment, the kind of thing that would stimulate the economy, so we end up with more people on food banks and more people on the welfare line.

Well, Mr. Minister, wouldn't you acknowledge — and we can go back and we can go through the quotes that you or the associate minister or the Premier today have said — sales tax harmonization makes sense. One tax makes sense because it saves 5 million in administration. It stimulates economic activity. Maybe you should have

done it at a little lower rate. All those logical things.

Now what we're trying to point out, Mr. Minister, is — and we've been through this before, you campaigned of course on less tax, but now we're even over that hump, you obviously changed your mind — but even if you had to tax, in looking at it all over again, the benefits to all of the industrial sector plus the offsets for low income, are increasingly evident even to those that are lined up in the food banks, lined up in welfare rolls, and even across this, I'm sure, on both sides of the House in this legislature. So you're just stuck with just tax on top of tax, and now you're raising the sales tax.

Would you not acknowledge, Mr. Minister, that harmonization has some benefits in practical terms and in theoretical terms for the province of Saskatchewan given the fact the whole country is into GST. Wouldn't you acknowledge that that has some potential or . . . I mean I can read you all the things that you were going to say that . . . or you've said that was all the good things. Couldn't you acknowledge that it has some of those features that are very, very attractive for economic activity, and plus jobs, welfare, in a province like Saskatchewan which has to cope with GST anyway because it's here.

Hon. Mr. Tchorzewski: — Very clearly, Mr. Chairman, no. I would not acknowledge that because I'm glad the member from Estevan raised the GST. Because if this was such a wonderful great benefit to the growth of the economy, what happened to the impact by the GST? Where is this growth in the Canadian economy that's supposed to do these wonderful things? Our unemployment rate in Canada is over 11 per cent. GST hasn't fixed that.

An Hon. Member: — It's fixing it.

Hon. Mr. Tchorzewski: — Our . . . it's fixing it. It keeps going up and the member from Estevan says that it's fixing it. Our recession has lasted, particularly in central Canada, longer than anybody suggested or predicted that it would. There is a constant revised downward trend of economic forecast by the federal Finance minister who struggles every single day about what's happening to the economy.

Retail trade across the country was pummelled in 1991. Manufacturing processes and the serving sector were particularly hit hard with the GST. There was damage done with the GST. And the member from Estevan, the former premier, says wouldn't it just be great if we inflicted the same kind of damage on the province of Saskatchewan.

An Hon. Member: — It's here. It's here. The GST is here.

Hon. Mr. Tchorzewski: — Well that's right. And so it's here, of course it is. And the member from Estevan says, well the GST is bad and it's here so we might as well make it double bad and put in a provincial harmonized PST.

Well, that's his approach to the world. That's not our approach to the world in Saskatchewan. We said the harmonized PST which the former government introduced was bad for the economy. It had a net negative

impact on the economy, that if we were elected we would eliminate it, and one of the first acts of this government when we were elected was in fact to eliminate it, because it is the wrong kind of tax.

Mr. Devine: — Well, Mr. Minister, see what we're trying to get at is how you led the public along, then changed your mind, then promised to reduce taxes, and then end up saying, well I didn't really mean what I said way before the election. And I didn't mean what I said at the election. And now I have to raise all these other taxes which are pretty ugly, but they're likely better than what the other guy did.

Because . . . I keep looking at this. This is a news release from the New Democratic Party on October 30, 1990 — the fairest and most sensible way to proceed would be to harmonize the two sales taxes; October 3, 1990, by the Leader of the NDP.

What happened? What happened? Did you do a poll and say, well taxes won't be popular so we'll promise not to tax. Is that right? Because: the fairest and most sensible way to proceed would be to harmonize the two sales taxes — Roy Romanow, Saskatchewan Democrats, October 3, 1990.

(2200)

Another one, October 3, 1990: a side by side tax is preferable to a tax on a tax — the Leader of the NDP talking. Now I can find a few more. The NDP Finance critic, and this is the *Leader-Post*, March 15, 1991, the NDP Finance critic, Ned Shillington, stated that "his party supported this harmonization of the two taxes, but added they would lower the rate." It would make more sense to have one tax rather than two, he told reporters.

Now the logic was there before you. You put the two together. And your leader said it was the right thing you to do and your Finance critic said it was the right thing to do. And I repeat, "(The) NDP finance critic Ned Shillington stated that . . . his party supported this harmonization of the two taxes . . ."

Well you were part of the party then, Mr. Minister. What changed your mind? " . . . harmonization was recommended by NDP MLA Ned Shillington who felt it would be simpler to have one tax." Moose Jaw *Times-Herald*, February 21, 1991. Then it goes on to say the NDP would harmonize the taxes but at a lower rate than the combined 14 per cent.

Well that's a fair argument. At least you put them together, you've saved the administration costs, you've stimulated the economic activity for business and farmers and resources and for low income people; you can help them.

And this is a good one. This is *Cross Country Connection*, October 15, 1990. I quote: As far as harmonizing the two taxes, we have said that it would only make sense if the federal government was prepared to make concessions in removing such items as farm inputs from the tax base.

Which happened, as a matter of fact, so that there were

exemptions and people were allowed to participate and give their ideas, and the exemptions were there.

Mr. Minister, the concept of having a province that is sales tax free for the productive sector in resources, agriculture, services, all of those things, because people have it all returned, has some stimulative economic possibilities.

And if you've acknowledged tonight, in more than one occasion, that it's good for those sectors and it's good for the people that work in those sectors, then the only argument you've got left is, well that helpfulness wouldn't be as large as some of the offsets paid for by the general consuming public.

Now you're going to have to show that in a province like Saskatchewan with a million people, that the resource sector is not significant in a major way. Don't you think that it is? The resource sector is very significant in Saskatchewan.

Agriculture, we have half the farm land. Right? So if you've got half the farm land in Canada, it's in Saskatchewan, and you make it sales tax free. If you're the potash capital of Canada and it's sales tax free; you're the uranium capital of Canada and it's sales tax free; and you're the heavy oil capital of Canada and it's sales tax free; and you can produce fertilizer for the first time in your life and it would sales tax free; and packing plants and processing and manufacturing — all sales tax free — pretty relevant to a province like Saskatchewan. And you say no, that wouldn't be fair because we'd have sales tax for the general consuming public.

Well the public already has sales tax. And now you're even raising it for all those people, with no tax credits. So you have to convince the general public that all of industry in Saskatchewan, which includes agriculture which is half the farm land in Canada, wouldn't benefit, and if it did benefit it's not enough to convince you.

Well, Mr. Minister, you're drawing a long bow here to give probably the largest tax break to all of economic resource and development, including . . . I mean those that you have shares in, Mr. Minister, whether it's potash or uranium or Saskoil or WESTBRIDGE or others, to stimulate economic activity. You must admit when you looked at one tax and said all these things . . . the Leader of the NDP Party said one tax makes sense. The critics said one tax makes sense. You looked at all the resources and said it makes sense.

How can you stand in your place now and say that it doesn't make sense for the province of Saskatchewan?

Hon. Mr. Tchorzewski: — Well, Mr. Chairman, the member opposite and myself are going to continue to disagree because the member opposite does not take a look at the whole economic picture. I want to remind the member from Estevan that the mining sector and the agriculture sector are 15 per cent of the economy, approximately 15 per cent. The biggest sector in the economy is the service sector which is 72.2 per cent. And the provincial harmonization of the PST caused it to go reeling because the consumer stopped spending when

the PST harmonization was brought in — in a major, major way.

Mr. Chairman, the GST, the federal GST has been the greatest cause of cross-border shopping in Canada. Cross-border shopping sky-rocketed when the GST was brought in and it's still a serious problem. All of those arguments, Mr. Chairman, lead to only one conclusion — that the harmonized PST, as the former government had introduced it, was inappropriate. It was the wrong way to do it, it was the wrong time in which to do it because it had a major negative impact on the economy. And that's why it doesn't exist in Saskatchewan today.

We're going to do what we have to do within the financial capability of the province to provide assistance to different sectors in the business community, and we started that in this budget with a 1 per cent decrease in the corporate small business tax rate, with a phasing out of the education and health tax for consumables and agents in processing and manufacturing. That's the way you do economic development. You target it where it should be targeted.

Quite frankly, Mr. Member of the opposition and Mr. Chairman, I don't think that the potash industry needs assistance from the Saskatchewan taxpayer/consumer. The potash industry is doing quite well. If the member from Estevan thinks that we should rebate all of the education and sales tax to the potash industry because they need that help then he's wrong. Because you have to get it from somebody and that means you have to get it from the consumer, the labourer, the farmer, and everybody else who has to pay that additional portion of the tax.

The potash industry is doing quite well, thank you very much, and is able to contribute to the Saskatchewan treasury in the royalties that it's paid as well as the E&H tax that it pays. And that's the way it should be.

Mr. Devine: — Well, let me just . . . fair enough, Mr. Minister. If you're saying in your party's representation that harmonization is not good for Saskatchewan agriculture and Saskatchewan potash and Saskatchewan oil and gas and Saskatchewan uranium and pulp and paper and steel, that you're saying you don't agree with the chamber of commerce and the board of trade, you're smarter than they are, and all the industries including the service industry which is exempt because you pay the tax, you get it back. Find me, sir, a service sector that doesn't get the GST/PST returned.

I mean if you pay it, you get it back. If it's a legal service, a technical service, any kind of a service, if you pay it you get it back. So if it's a growing industry, if you wanted to stimulate the service sector in Saskatchewan, the computer industry, the knowledge industry, and all of those services that might pay tax, you could stimulate that new, high-tech, information-age knowledge sector by saying, let's go give that a Saskatchewan competitive edge. And you've missed that too.

I mean if you just talk to people any place who say, if we could be sales tax free . . . Look at the Pacific Rim for sales tax free zones. Look at world-wide when you've allowed

that to happen. So you can't find me a sector that pays GST that you wouldn't get exempted back or rebated back — the service sector, the resource sector, manufacturing, processing, all of those things. Now if it's a growing service sector that you're interested in, well — that's paying GST — I mean please describe this. Because I think you've missed it, if you think it's just the service sector. It's not. The service sector is part of the economy, and it would be exempt. So please explain that, Mr. Minister.

Hon. Mr. Tchorzewski: — Mr. Chairman, I think the member is beginning to confuse even himself. Indeed there would be a rebate to the service sector but there would be a considerable amount of less money that the consumer would have or would be spending — and so that whole rebate is a counter-productive argument. And all of the indicators in 1991, when the PST came in, showed that to be the case. The consumer literally stopped spending. And therefore, Mr. Chairman, it had an impact on the service industry in the main way. Just talk to the people who sold books and magazines and subscriptions. Talk to the restaurateurs and have them, Mr. Member from Estevan, have them tell you what kind of a negative impact it had on their businesses. The rebate didn't mean a thing to them because the consumer stopped spending money in the stores and the shops, creating a negative impact on the economy.

Mr. Devine: — Come on, you can play at politics during election, but are you standing up or comparing the hamburger market, retail market, with the agricultural sector, and the potash sector, and the oil and the gas, and all of the rest of that, Mr. Minister? The whole service sector paid the tax and the service sector got it back. And your own comparisons the percentage change in retail sales across Canada in 1990 and to 1991 are similar across the country. You can't just pick on Saskatchewan. In Ontario it's minus 7.5; Manitoba minus 6.5; Saskatchewan minus 6.9; and Alberta minus 5.1; as high as minus 10 in Newfoundland; P.E.I.

So, Mr. Minister, did you do all of this for coffee and hamburgers? Is this the whole reason you decided to raise the sales tax for the public, renege on your word, add more income tax? All these fees and all these health care fees you charge, you're doing all this because you said, oh well if you go to the restaurant you got to pay 7 cents on a cup of coffee. You'd lose \$1,400 on a pick-up truck and you'd lose millions of dollars in the whole resource sector. But oh no, if you didn't want to make your coffee at home and you went over here, look at that.

Is that what you're saying, Mr. Minister? Point to me the service industries that would not get all of that sales tax back. Please. I mean you've got to do better than this to say that you have figured it out that your tax system is better for the resource base and the economic activity in the province of Saskatchewan. I mean you talk about hamburgers and coffee. Is that it, Mr. Minister?

Hon. Mr. Tchorzewski: — Mr. Chairman, I think the member is beginning to get a little exercised because he's finding it difficult to defend his position because he knows that on election day the vast majority of Saskatchewan people said they don't want it. They said it

was wrong. And I'm telling you, Mr. Chairman, I have full respect and confidence in the judgement of the voters of this province, and I respect the judgement that they make.

The member from Estevan obviously hasn't learned that lesson and he continues to argue with the electorate of the province of Saskatchewan even to this day. The point is this, Mr. Chairman, that all of the retail industry was losing dollars in a big way because of reduced spending by the consumer because . . .

An Hon. Member: — Across Canada.

Hon. Mr. Tchorzewski: — Across Canada, yes, but more so in the province of Saskatchewan . . . (inaudible interjection) . . . Well, just a minute, well let's talk about those figures. Because here is what happened.

In Saskatchewan we had real growth in the economy in 1991. In spite of the fact that we had real growth in the economy in 1991, our retail trade still dropped 7 per cent — 6.9 per cent. In Quebec and Ontario, they had a negative growth in their economy. That would obviously be a major impact on their retail trade. If you put that into context, Mr. Chairman, clearly the impact of the GST and the PST on the retail trade in Saskatchewan was devastating and all of the evidence as to what the GST has done to Canada shows how devastating it has been.

There is nothing in the country of Canada that can be shown where the GST has had a positive impact on anything, no reduction in unemployment, no change in the forecast in a positive way that the federal Minister of Finance has had to make. None of those things can be shown to be positive.

Mr. Devine: — Mr. Minister, I'm going to talk about . . . you said . . . the vote at election time . . . you keep coming back and they spoke. Now I'm going to mention, what did they vote for? Listen, this is Mr. Romanow, Moose Jaw *Times-Herald*, October 17, '91: We're not going back to taxing people.

In the debate Mr. Romanow says, you vote for us, the PST is gone. They voted for tax cuts. Tax cuts. And then you fooled them and we're in here now talking about tax increases. How can you say that's a test of your theory?

You didn't tell them the truth. They voted for tax cuts and now you're bringing in tax increases. Why do you think people are upset? You keep coming back, well they voted for this. They voted for tax cuts because they believed the NDP leader and you.

(2215)

This is what he says: the PST comes off, October 21. They voted for tax cuts and no more tax increases. Creating more jobs will stimulate revenue without raising taxes — the *Star-Phoenix*, Mr. Romanow said, October 12, 1991.

Now that's what they voted for. Do you think they'd have voted for you if you'd have gone through and said, I'm going to raise the sales tax and I'm going to raise the income tax and I'm going to raise municipal tax, and I'm going to raise your prescription drug deductible? And on

and on and on.

They wouldn't have voted for you. You know the majority of these members wouldn't have even supported it. They said how could we win with that? You were not honest with them. You weren't honest with the public. And you're standing in here, a little self-righteous, saying, well they voted for it. Well for Heaven's sake. Is that all this is about — they voted for you?

You're taxing them in a heavy way and we're now looking at situations where we've got welfare rolls up, poverty up, food bank up, your credit rating going down, your deficit's up, and you've got no economic plan, and you say your tax system makes sense when prior to the election you said harmonization was the way to go. We can manage, stimulate the economy. I mean you were . . . you're all over the map.

Now you said that the federal package hasn't made any difference. Do you remember what the interest rates were in 1982 when you lost power? Do you remember what inflation was in 1982 when you lost power? What were the exports like to the United States in '82 when you lost power? The NDP-Liberal coalition, right. Remember that? The old Trudeau-NDP games that went back and forth and what did you have? You had 22 per cent, and the Minister says those were good times, the old NDP-Liberal coalition — Trudeau in Ottawa and the NDP here and they just raised havoc and what did you get? You got the fastest-growing deficit in the history of Canada. You had interest rates at 22 per cent. You had inflation running 12. You had trouble trading into the United States.

Now what have you got today? You've got 6 per cent interest rates, between 6 and 7 per cent interest rates. We've got zero per cent inflation and you've got 30-year all-time high exports into the United States, and without the interest on the debt the federal budget is balanced. Now you didn't have that under NDP-Liberal combinations of all the things that you were doing. So you talk about what we had to go through cleaning up what you created in terms of 22 per cent interest rates, 12 per cent inflation, drought back to back to back and \$2 wheat. You cope with 22 per cent interest rates on your deficit.

Mr. Minister, I'll just put it this way. I think in here not too long ago you admitted in 1982 there was about a \$3.3 billion deficit in Saskatchewan. At 22 per cent interest rates, do you know what that is after 10 years? That's a problem, Mr. Minister, and that's what you left us with, that kind of a problem. That kind of a problem and now you're saying, well we got interest rates down to 6 per cent, we got inflation to zero, we got record exports into the United States. You say well jeez, that isn't working. And you don't like co-operating with the federal tax system to give all of the industry in Saskatchewan — service sector, agriculture, and others — a break, because you think you've got a smarter way to treat coffee and hamburgers?

And then you have the audacity or whatever it might be to say, but they voted for us. Well for Heaven's sakes, they voted for a sham. They voted for you, and you promised

to take down taxes, and lower, give them more money in agriculture, cost of production in GRIP, get more money from Ottawa. And none of that is available. All we got are tax after tax after tax after tax. And now we're looking at welfare lines up and food bank lines up. So don't give us a song and dance, Mr. Minister, that they voted for you, then you had this lovely plan.

If you had given them the plan, the real brochure, they wouldn't have voted for you. They wouldn't vote for you in 100 years. If you went out there today and said, here's the plan, boys, here's the plan: we're going to raise taxes and we're going to raise sales tax and income tax and surtax, and raise all your premiums and your deductible — vote for us — do you know what? I'm not even sure the member from Quill Lakes would make it back. I think in 1982 you tried that, and you lost every seat but eight, and even in '86 you lost every rural seat but a handful.

And what did they say? They said they didn't like the 22 per cent, they didn't like nationalizing potash industries and paying too much. They didn't like the land bank. And the only way you could get elected was promise something you could never deliver on; promise something you could never deliver. So you went out and said, well I know that harmonization is worth \$200 million, the debt's 265 — that will be 500 million. It won't matter; we'll do it anyway. So every time you mention the vote, we're going to have to remind you that you promised to cut taxes, and when we're in here debating your huge tax increases, the NDP flip-flopped, didn't tell the truth. And that's why we're asking these questions. That's why you're on the carpet here tonight. The people don't want to let you off the hook. You promised to help them in agriculture, you renege on contracts and GRIP. They don't like that. It's worth money to them because they believed you'd look after them and you reneged.

So every time you mentioned the vote in here, all you do is make . . . people all over the province said, well boy, I wish I had a chance again — that's what they say. I wish I had a chance again to tell you what I think of your plan.

So I'm coming back, Mr. Minister. If in fact harmonization is good for all of these sectors, including the service sector, how can you stand in your place here tonight and say that your tax scheme — which hurts all of those sectors, plus consumers, plus seniors, — is smart, is wiser. Where is the economic studies? Where are the economic analyses? Table your research. Show the comparisons. Because you just standing up in here and saying, well retail sales were down across Canada and in Saskatchewan — that means nothing.

Show us where your plan on tax increases all over is smarter and more productive and more competitive than the harmonization that was put together that you once thought was a really good idea and it suddenly changed your mind. Have you got anything that could document why you think and why you believe that this economic analysis of yours is meaningful at all?

Hon. Mr. Tchorzewski: — Mr. Chairman, interesting comments from the member from Estevan, who also has made other comments in the past. He chooses to ignore them here today as he tries to remember the defeat that he

suffered on October 21, 1991. I know that was difficult but I urge the member from Estevan, forget it. Put it behind you and think about the future. Sour grapes, you know, is something that is interesting but the public doesn't respect it very much.

Here's what you said, Mr. Minister, in 1987: it's a betrayal of the public to create huge deficits for future generations to pay, not to try and fix them. That's what you said. Well what did you do? You created huge debt. That's what you said and that's . . . but nothing happened.

You inherited a province in 1982 with all kinds of promise, all kinds of promise. What did you say in New York in 1983? You said, and I quote word for word: Saskatchewan has so much going for it that you can afford to mismanage it and still break even. Well I'll tell you, Mr. former premier, if there is anything that you did well it's mismanage. If there's anything you did extremely well it's mismanage, and that's why we have to do what we have to do today. To get the thing under control.

Let me talk about . . . let me make a comparison between 1982 and 1992. In 1982 there was accumulated debt in this province of \$3.5 billion. In 1992 you know what it is — \$15 billion, thanks to you, thanks to your mismanagement, thanks to your promise to the business community in New York. In 1982 the interest on the public debt in Saskatchewan was \$44 million. You know what it is this year, thanks to you — \$760 million is what you added in interest on the public debt which we have to pay, which our children are going to have to pay, and which their children are going to have to pay.

In 1982, even in your own documents, you showed that we had a surplus of a \$139 million. Your minister of Finance, Mr. Gary Lane, printed that and published it. What do we have today? We have a deficit of \$517 million, and that's down from the \$1.2 billion which it would have been if we had not taken these measures.

In 1982 there was a promising future for our children in Saskatchewan. And now we've got a huge debt which they're going to have to pay. It's our commitment that we're going to restore that promising future for our children. And we're going to deal with the finances of this province and get the debts and the deficit under control.

In 1982, Mr. Member from Estevan, there was 6,800 housing starts in Saskatchewan. In 1991 there was less than a thousand, thanks to your economic development strategies — less than a thousand.

This plan, Mr. Leader of the Opposition, Mr. Chairman, deals with getting the finances of this province under control. It deals with the first commitment that the New Democratic Party made in the election campaign. The commitment was to open the books. And I'll read it because I think the member from Estevan forgets what it was. The commitment was to open the books — a public, independent audit of the province's financial affairs to cut government waste and mismanagement.

And boy, there was a lot of waste and mismanagement. Look around. I mean, you only have to look at things like the report, the *Special Report of the Provincial Auditor*, to

know how badly the waste and mismanagement was there. The premier and his colleagues got thousands of dollars of — the former premier — of liquor from the Liquor Board free of charge, free tickets to Big Valley Jamboree, free tickets to the Centre of the Arts, thousands of dollars of wasted money. Every single . . . tens of hundreds of thousands. Every single cabinet minister and MLA who was defeated was on a patronage ticket, appointed by the former premier.

Boy the mismanagement was there when the premier said in New York, this province has so much going for it you can mismanage it and break even. He sure knew what he was talking about, except the one part — you couldn't break even. You can't spend like drunken sailors on everything without any thought about what the impact that it was going to have, without causing the financial problems that we face today.

So we said in 1991 that we would open the books. A public independent audit of the books would take place. We said that a comprehensive review of all of the PC privatization and business deals would be done to determine if they are in the public interest. That's being done.

And we said a balanced budget in our first term. Now it may not be possible to do it completely in the first term. That's still the target. It may take five years. But we are going to do it. And it would not be possible to do it, Mr. Chairman, without some increase in revenues.

And that's why we are providing some increase in revenues, because we are setting our sights down the road and not just looking at it from a one-year basis which the former government did for too long, the 10 years that they were in power.

That's what the analysis that has been done that is here. And those people who make judgements on us, those people who advise people whether they should buy our bonds, have said we're on the right track. They said our credit rating has dropped because of the horrendous debt which we have inherited, but they said we're on the right track with the decisions we have made in getting the deficit under control and in guaranteeing a future for our children. Because when it really comes down to the final point, Mr. Chairman, it's our children that are important here and not the friends and the political friends of the member from Estevan, who were the only ones who benefitted during 10 years of Progressive Conservative government. That's going to change.

Some Hon. Members: Hear, hear!

Hon. Mr. Shillington: — There seems to be an unusual amount of enthusiasm for what I'm about to say, Mr. Chairman. I'm actually going to move that this committee rise, report progress, and ask for leave to sit again.

The committee reported progress.

The Assembly adjourned at 10:31 p.m.