

The Assembly met at 9 a.m.

Prayers

ORDERS OF THE DAY

GOVERNMENT ORDERS

ADJOURNED DEBATES

Bill No. 84

The Assembly resumed the adjourned debate on the proposed motion by the Hon. Ms. Carson that **Bill No. 84 — An Act to amend The Urban Municipality Act, 1984** be now read a second time.

Mr. Toth: — Mr. Speaker, we're prepared at this time to allow Bill No. 84 to go to committee. There are a number of questions that we will have . . . be able to raise. We feel that we can address them just as well, if not more conveniently, in committee. So at this time I move they allow the Bill to proceed.

Motion agreed to, the Bill read a second time and referred to a Committee of the Whole at the next sitting.

Bill No. 85

The Assembly resumed the adjourned debate on the proposed motion by the Hon. Ms. Carson that **Bill No. 85 — An Act respecting Fire Prevention and Certain Consequential Amendments resulting from the enactment of this Act** be now read a second time.

Mr. Toth: — Thank you, Mr. Speaker, this Act as well, Mr. Speaker, we feel that the questions that we would raise or have for the Assembly can be dealt with just as effectively in committee as well. And, Mr. Speaker, we allow this Bill to move forward to committee.

Motion agreed to, the Bill read a second time and referred to a Committee of the Whole at the next sitting.

(0915)

COMMITTEE OF THE WHOLE

Bill No. 53 — An Act to amend The Farm Financial Stability Act

Clause 1

Mr. Toth: — Thank you, Mr. Chairman. Mr. Chairman, I understand and the minister has indicated a number of questions were posed in second reading regarding the Act that's before us. And he indicated that he has some responses he'd like to give. And that might be appropriate in allowing us to consider further questions. But as well, I wonder if the minister could just take a moment as well to elaborate on the purpose and the full intent of the Act at the same time.

Hon. Mr. Wiens: — Yes, Mr. Chairman. The Farm Financial Stability Amendment Act is an Act that has to do with the clarification of the existing rules around breeder and feeder loan guarantees. As the members opposite

may be aware, there have been some difficulties arise as a result of the application of that program. It's generally been a very positive program. So some clarifications to the Act and procedures around the financial record-keeping and the holding to account of people relative to those loan guarantees is clarified within the Act to strengthen and maintain a program that has very well served the industry.

That's a general statement and I can . . . we can come to specifics later.

I want to raise with you now the questions that were asked in second reading and the answers to those questions. And if there are further questions following on those, I will try to answer them. Or if they are of a technical nature, I'll wait until our officials get here and we'll answer them later at another day.

The first question that was asked of us in second reading was: will the amendment to section 53 require more branding of cattle purchased by the association than was previously required?

The answer is no. The amendment to this section only clarifies that the association brand must be on the animal purchased before payment is made. Only one of the association's brand is required on the animal. A brand is necessary to ensure that the security on the loan provided through the cattle purchased remains intact, that animals purchased can be moved to the member's location before being branded with the association brand.

That was one of the early questions that was asked. Do you want to respond with further clarification on those, one at a time? And I will record the questions if I can't answer them.

Mr. Martens: — Thank you, Mr. Chairman. One of the things that I think is required of the Act, and it deals with section 53, and it concerns not necessarily the branding but the timing of the branding. It deals with: a producer association shall cause any commodity purchased by it that is required by the regulation to be marked, to be permanently marked for the identification in the prescribed manner.

And what it suggests is that before the association makes payment for the livestock, they have to be branded. And I've had representation made to me that that means that they'll likely have to brand them in the stockyards before they take them home and that's not convenient for the majority of producers. If you have cattle at major stockyards that's one thing, but if you buy some cattle at a place where they don't have any facilities for branding, if you go purchase them from a neighbour or some other person, you don't have those facilities.

You don't have the time to make the payment . . . or to brand them and then go make the payment and then go haul them back home. And so that concern has been raised. And because I'm a member of an association I also understand a little bit about the process. I think I know why you want to get them branded — it leaves less risk involved in transfer of ownership. But I think that there

needs to be some flexibility in this area, Mr. Minister.

Hon. Mr. Wiens: — Mr. Chairman, while I do not have clarified before me the process by which that flexibility will be put there, it's my understanding from the description of the procedures that it says that animals purchased can be moved to the member's location before being branded with the association's brand. I don't know what the technical detail of how that will be worked around the requirement to pay before branding . . . or that the brand must be on before payment is made, but the clarification that I have from the department in terms of their procedures is that in fact members would be able to move the cattle to their home location before the brand is placed. And I will ask for the technical detail of how that is made possible when the officials arrive.

Mr. Chairman, another question that was asked by the members opposite in the second-reading debate was: will the amendment to subsection 52(3) result in all loans and advances taken out by the association on behalf of all members having to be repaid before any equity can be released to a member whose loan has been paid down? And the answer is no.

The amendment is intended to clarify that returns from the sale of cattle purchased on behalf of a member must be used to repay the loan or advance for the purchase of the cattle before any equity can be released to that member. Once that member's loan is fully repaid, along with interest and other loan charges, then the lender can release the balance of returns from the sale of cattle purchased on behalf of that member. This release of equity to a member can be made even though other loans and advances made on behalf of other members are still outstanding.

Mr. Martens: — I guess, Mr. Minister, this gets into a technical part where the difference between a feeder association and a breeder association exists, in that you still have a loan outstanding as it relates to the breeder association because you pay it one-fifth at a time. So I guess what I need to know is whether that loan outstanding is the loan that is dealt with as a payable loan or whether it's the whole loan that is in demand at that time.

Hon. Mr. Wiens: — Mr. Chairman, we'll more clearly define the relationship between loans, between the two types of associations, when one of the other officials gets here. We'll take note of that question and answer it as soon as he arrives.

I should at this point introduce the deputy minister of Agriculture, Mr. Stuart Kramer, for the purpose of officials.

Yes, I'd like also to introduce Ross Johnson, the acting director, on my left here.

Mr. Chairman, the third question that was asked said: will the amendment to clause 59(2)(b) result in each member's assurance fund deposit being held for a longer period of time than was required previously?

The response is no. The amendment to this section only

clarifies that the assurance fund cannot be used to pay for any debts that the association may have with the lender except those debts resulting from the purchase of cattle. A member's assurance fund deposit, or balance remaining in the event of a claim, will continue to be refundable 90 days after the member's loan is repaid.

Mr. Chairman, the fourth question asked in the second-reading debate was: why are calves born to cows under the breeder program required to be branded even if they are less than two weeks old?

And the response is that calves born to cows are required to be branded with the association brand before being moved to pasture or before reaching three months of age, whichever is earlier.

The calves are the source of income for making the annual repayment for the loan for the cow purchase, consequently branding is required to ensure that this security on the loan is identifiable. To avoid having to brand a calf that is less than two weeks old, a member could delay moving those cattle to pasture until the calf is older.

I believe, Mr. Chairman, those were the questions that were asked in the second-reading debate.

They may be in a position to answer the subsequent question of the member opposite on the relationship between the loans on feeder associations and breeder associations at this point.

Yes, Mr. Chairman, with respect to the question that was asked earlier by the member from Morse with respect to the relationship of outstanding loans and the impact on a farmer or a producer with respect to having loans in two associations — a feeder association and a breeder association — as long as the member is current in their commitments to one or the other, they're fine.

So that the fact that they may have an outstanding loan in a breeder association, as long as they are within the terms of the original agreement, having that loan will not restrict any of their activity in joining another feeder association or any of their involvements in the one they're in.

So the only time that there becomes a difficulty with respect to financing for one kind of association is if in fact a member is in default or is in some personal operating difficulty with respect to their involvement in another association.

Mr. Martens: — In section 52(3) the association has to provide all of the assets or the value of the sale of the commodity to the association, and the interest on all of the outstanding liabilities against that are taken off.

What I guess I need to know is, if you're in the breeder association, is that inclusive, that it restricts the flow of cash, that all of the loan has to be paid off and that the . . . as of this year probably, four-fifths remains for next year? And that's the question that I really have on that section.

(0930)

Hon. Mr. Wiens: — Mr. Chairman, if I've correctly understood the question, the benefits from sales will only be applied to the extent of that year's commitments, and the rest will be released as equity to the owner.

I might now, that the officials are all here, introduce them all so that you have them all in perspective. Again on my immediate right, deputy minister Stuart Kramer; to his right, Merv Ross, the manager of the livestock incentive programs; behind Merv — Hal Cushon, manager of market analysis, economics branch; and to his left, Ron Eley, assistant secretary of the agri-food council; and behind me, Ross Johnson, acting director of administrative services branch.

Mr. Martens: — In section 50(2)(5) it's:

“(5) No producer association shall make a payment to a vendor for the purchase of a commodity, by the producer association from the vendor on behalf of a producer, until a producer agreement has been completed by the producer association and the producer on whose behalf the commodity is being purchased”.

The question I have in relation to that is this: when you start up, is that the focus that you have before a new individual comes into the association, he must have all of the agreements from the bank and all of those items completed before any purchases of livestock can be made on his behalf?

Hon. Mr. Wiens: — Mr. Chairman, the purpose of the addition there is only to clarify what was already the practice, and to make it clear that before payment could be made to a member that there would have to be in place an agreement between a member and the association to which she or he belonged.

Mr. Martens: — The next question I have — and I'm not sure that I necessarily agree with your explanation and maybe we can visit about it a little bit — is that:

No producer association shall pay for a commodity that is required by the regulations to be marked until the commodity is permanently marked for identification in the prescribed manner.

I did have . . . what I did do is I sent this Bill to a number . . . quite a number of producer associations, and they came back with that as a concern because they felt that the marking was done in an inconvenient place. And so could you elaborate a little bit more on that?

Hon. Mr. Wiens: — Yes, Mr. Chairman, the discussion we had before is — I would just again reiterate it — that the timing of branding and location of branding is only a matter relative to the payment of the cattle. It's my understanding from the officials that it was never intended that associations should be paying for cattle without a brand being in place.

The difficulty is that once payment has been made and the procedures are in place, there are not many tools for enforcing the placement of the brand and therefore the

security of the program.

So the vendor does have four or five days to make . . . or the purchasers do have four or five days to . . . the association, to make the payment to the vendor. And the release, the authority for paying will be made once the brand is seen to be in place, and that branding can take place at the site to which the member is moving the cattle.

Mr. Martens: — Well I'm not sure that you'd be able to move any cattle out of a livestock Wheat Pool facility without paying for them before you move them out. So then you've got the problem that you have to move these cattle to your residence or pay the Sask Wheat Pool to have them branded in their facilities. And I'm not sure that that's what the intention should be.

And I know that on a licensed dealer there would be some flexibility but I'm not sure that you'd get out of a yards — whether it's Sask Wheat Pool or Swift Current livestock or Maple Creek livestock — I'm not sure you'd get that flexibility in making the payment. So I wonder why you would be doing that.

Hon. Mr. Wiens: — Mr. Chairman, I appreciate the question the member opposite asks. Apparently this is a reality that, as he describes it, has been one which is already presently one which is being worked around without the amendments. The understanding I have is where a breeder or feeder association has established a relationship with a vendor, these relationships result in the kind of flexibility that would convenience the purchasers, the associations.

Where that reputation has not yet been established, then the vendor may well require the branding of the livestock so that they can have the payment before they leave. That's a practice which I understand has also been taking place before the regulation changes, or before the changes here.

The object clearly is to protect the public investment in terms of their guarantee of these associations, because as you're aware it's been a very effective tool for feeders and breeders, and to protect the public interest so that this tool can continue to be used. My understanding is that it is a manageable problem and one that has been managed in the past in much the same way as it will be managed now after the regulations, or after the Act is more specific about its requirements.

I would appreciate comments from the member opposite if there are solutions, additional suggestions, about how this might work with even greater convenience to all parties.

Mr. Martens: — Well, Mr. Chairman, I believe that there was sufficient flexibility the way it was. This, in my view, seriously impairs the normal practice.

Now I did talk to some people in the feeder associations that they do brand in the livestock yards, but the majority of those people that do that don't have the facilities at home. So then they pay for that work in those facilities, whereas I would say more than 50 per cent of them have those same facilities at home. And why should they buy

that service at someone else's place when they can get it legitimized at home? And that's the reason that I have a concern.

I recognize the risk has to be reduced in relation to the guarantee. I don't have a problem with that. But I'm not sure that this inconvenience is going to do anything but irritate at least 50 per cent of the people that are using it.

Hon. Mr. Wiens: — Mr. Chairman, I just wanted to bring to the member opposite the discussions that resulted in the solutions as presented coming forward. As the member opposite may be aware, there was difficulty with one of the feeder associations which had its root in the fact that cattle had not been identified and where the lack of careful attention to detail with respect to making sure brands were in place before payment was made resulted in a substantial risk and cost to the public purse.

A committee of the feeder associations has met with representatives of the lending institutions and representatives of the department. And these solutions as proposed in the Act are the solutions that were jointly proposed by them, recognizing that in order to maintain the integrity of the feeder and breeder associations that a strict discipline around the administration was necessary.

(0945)

Mr. Martens: — I understand that as well, Mr. Minister. I still think that if you adopted a process whereby an individual who bought and sold in his own feedlot and through a licensed dealer, which it talks about earlier in the Bill, if the licensed dealer is a part of the association and he becomes involved in a transaction that deals with a feedlot where cattle are moved from pen to pen on the basis of ownership, then I think you're right with this kind of logic. And I would get a sense from the feeder association that that's what their logic is. And I think that that's what was the problem in relation to the problem that you had.

Now let's take those feeder and breeder associations that do business in a different fashion — those that run a single operation and have to deal with it on their own. And they buy cattle from a vendor that is not a part of the association or isn't even close. Then they run into a problem in relation to this. And that's the part that concerns me in relation to this.

And I would have a serious argument with those feeder associations understanding what it is that happens, because I know the background of the feeder association group that are a part of the associations, and they are the larger feedlot operators and not the small, independent individuals who have to deal with this on a regular basis.

They already have a standing relationship with a vendor — Sask Wheat Pool or Jameson Gilroy in Moose Jaw or someone in Saskatoon — they have that arrangement already in place. But many producers don't have that and will go there and purchase their own cattle and then they have to brand them there and then haul them home before they can make the payment, and that's not necessarily a typical arrangement.

So what this does is it deals with those feedlots that are on an ongoing, full-capacity cycle, and that I believe is necessary under those . . . this rule is. But under other circumstances, I don't believe it is. And that's the concern that I have.

Hon. Mr. Wiens: — Mr. Chairman, the dilemma that's arising in this discussion, I think, is that the three-party agreement that was made under the previous circumstances was still to be so that members were to have branded their cattle before payment was made. It was the understanding that that identification be there even though it allowed a 10-day period for that to happen, which is beyond the time that vendors feel comfortable receiving payment or protected.

So even to leave it as it is, I think the understanding would be the same as what is more clearly specified now in the Act. So in the accurate administration of what was in the three-party agreement, the impact of what's in the Act would still be followed.

So I'm wondering if there are suggestions about flexibility that could be considered, even at another time, even if we proceed as we are here now, in the light of the facts as I understand them, that in fact the three-party agreement would have suggested that the practice now being put into legislation should have been followed.

Mr. Martens: — Well I'll only raise it as an observation, Mr. Minister, that I think you'll get some serious criticism in this area. And I like the program, and I believe in it. And I don't want to see people get irritated by it, to be excluded from taking that opportunity. And that's the point I want to make.

Again I'll say that I think this needs to apply to the feedlot operators. I believe that. I also believe that it needs to apply to those groups who mix cattle within their own operation. I believe that. But I don't . . . And that's when an individual who has partners in a company, or whatever, makes decisions to purchase from one individual to another individual or a company name. And that has merit in those circumstances. But when you're buying it from a vendor to have it brought into your place, I don't believe that that should apply. And so I will make that point.

If the provincial supervisor has some flexibility in determining what can happen here, I think the program can work. And I know that he has been flexible on other occasions. And I think that that's what we want to see happen.

But I want to identify that as a concern that has been raised with me. And that's not the concern that's been developed out of my own situation. But it's been . . . Some others have told me about that too.

If you want to respond, you may.

Hon. Mr. Wiens: — Mr. Chairman, again I appreciate the points raised by the member opposite. It's clearly all of our collective objectives to have within our programs facilitating circumstances that make it easy for people to participate.

I want to again say that the circumstances, as described in the Act here, have been brought forward by the industry. And I understand what the member opposite has said with respect to the group that sits on that committee. But it is also consistent with the present circumstances where theoretically there should not be payment processed until a brand is identified. And the practice has sometimes happened that while brands were named, the brands were not placed on the livestock which created the difficulties that . . . I know the member from Morse does not want to plague the program any more than I wanted to plague the program.

What I will say is that we will monitor the implementation of these Act changes and go back to the industry with them to monitor for difficulties. And I'll ask the department to demonstrate sensitivity and flexibility if it does start to create problems while we review any difficulties it may cause, and we would bring forward future amendments if in fact there are difficulties caused by the circumstances as you've raised them. And I appreciate the point you made.

Mr. Martens: — If I could, Mr. Minister, just get you to add that you'd deal with the Saskatchewan Stock Growers on the breeders' side of this because the functions are considerable different than they would be for the feeder associations and the feeder association of the province. And so if you deal with that in that respect, I think you'll find out how the cow-calf program is working.

I have another question on section 5, that's 50(2.2). Would you give me an explanation of the reason why you want to challenge the licensed dealer? Is this the place to challenge the licensed dealer? Or is the place to challenge the licensed dealer in his licence?

(1000)

Hon. Mr. Wiens: — Mr. Chairman, to respond first to the question with respect to the kind of input that's received into review, there is some history which the member opposite I think is aware of, that in fact with the advent of feeder associations before breeder associations, the committee was originally struck through the cattle feeders' association without any necessary representation from others. We'll be bringing forward a process to assure broader representation both regionally and between the two kinds of associations to make sure that we have balanced input. And I appreciate the member raising those concerns.

With respect to the use of dealers, the Act requires that licensed dealers must be used. There are circumstances where licensed dealers have either been careless in the application of the rules or sometimes not been forthright; and sometimes that circumstance may happen when they're the only dealer even in the area — sometimes, and often that wouldn't be the case.

This is intended to establish that the use of dealers who have not facilitated the ongoing stability of the program could be terminated. In fact it's done in the interests of the program. Those with whom we consulted agreed with

this approach. And it's certainly no attempt to, any broad-brushed sort of way, identify certain dealers who should be used. It's meant to identify dealers who have not served the program well in the past.

Mr. Martens: — I agree with that. I also want to compliment the feeder association group and your department. They had meetings all last winter and I attended them, and I think they did a good job. And there was a lot of active discussion, and I think it is in the interests of the associations that you do that.

I want to go back to the branding. And Mr. Ross and I have had lots of discussions about this sort of thing. If you take . . . I'll give you an example, and I think Mr. Bailey was at the meeting we were at dealing with branding. If you take the program in the breeder association, and only the breeder, you can buy 25 . . . \$25,000 buys you 25 cows. Okay, they have calves, you brand the calves. So you got 50 calves . . . or 50 livestock branded. You make your payment, those 25 should really be . . . the brand should be erased, but you can't erase the brand. Okay, you go to the next year, you've got the 25 cows, you got 25 new calves with brands, and you got these 25 that you had last year with brands. And you go with that, and then the second year . . . the third year you can spend \$50,000, so you got 50 cows that you can put in this program. In four years you're going to have 475 branded cattle in this process. And I might be out 25 or so, but give or take, that's a lot.

So you've got the potential across the province to have every livestock in a feedlot in every farmer's and rancher's yard branded with the shelter when they aren't necessarily the animals belonging to the association. And so what you have . . . And that's my point that I make in having the calves branded in this kind of a process. Because the security is in the cows not in the calves, although the payment is made in the calves, and I agree with you there.

But when you deal with this in its potential — you take that over five years, you'll probably add another 50 calves to that — you could have 425 . . . 525 calves. In five years that's the amount of livestock that are branded with that brand. So they go out into the country and that's the kind of thing that exists. Now whose ownership is that? And that's the kind of thing that I think we have to be aware of when we deal with this.

I think that there needs . . . If I was making suggestions, I'd suggest to you and to your veterinarian branch to go out and take some ADF (agriculture development fund) money and put an identification process in place that would be acceptable to the people and acceptable to the individuals doing that, and make it easier to accommodate the actual identification of the animal besides a brand.

Now I don't have anything against branding, but this little . . . this animal either before he goes to pasture or three months of age has to be branded. Well they don't all get born on the same day on your place nor on mine. So you've got this process that starts in spring and by the time they go to pasture in the middle of May they have to be branded. They could be two days old, they could be a day

old by the time this process evolves.

And just speaking in a practical sense, from where I come from that little gaffer is going to have five brands on him before he's . . . he could be two days old — two of the ones that identify him as my livestock and three that identify the feeder association. And that's the kind of thing that I don't think is practical in the sense that it gives, I believe, an opportunity for those people who want to get rid of all of it a leg to stand on.

And so I raise it from that perspective, that I don't believe that you should be identifying them as calves in that sense. Because the ranchers already do that to protect themselves from theft, and it significantly reduces theft. And I think that there needs to be another way used to identify them. And it's not necessarily an ear tag because I think that that has a lot of . . . there's a lot of error in there because they get torn out and hooked on and whatever and they can be lost too.

So I think that there has to be a different way of doing it and I would suggest that you do it. And that's the point that I want to make in this discussion.

Hon. Mr. Wiens: — Mr. Chairman, again I appreciate the sensitivity to the process and to the livestock. As you're aware, people have been researching alternate identification schemes for livestock for a long time and none have yet adequately replaced the brand. Research has been done into the electronic identification, and still not enough security felt around that process to use it. And again the industry in discussion through the preparation of this legislation has again favoured the brand as the mechanism for identification.

Again it's a question that can be put to the committee as it's restructured and as we look at this legislation in the future. And I appreciate the points raised.

Mr. Martens: — One other point I want to make. I've visited with Canada Packers people prior to their change-over and dealing with some of the things that they come across. And every hide is worth \$2 less for each brand that appears on that animal and therefore it has a significant impact as it later goes through the system. If it has five of them in different locations, like that's locations of the brand, and if they have three or four or five — and you'll get that — the hide a lot of times doesn't have value.

So I think you need to take a look at it from that perspective as well.

Hon. Mr. Wiens: — Mr. Chairman, I think the question of how many calves are needed for security, relative to a loan, is an issue that might well be dealt with with lenders with respect to individual operators, where if the stock is still on the farm some adjustments might be made in that over time. And I look forward to a good and sensitive discussion between the industry, as broadly represented by both breeders and feeders, and the lending institutions with respect to the required security. And we will pursue that discussion this winter.

Clause 1 agreed to.

Clauses 2 to 10 inclusive agreed to.

The committee agreed to report the Bill.

Bill No. 59 — An Act to amend The Agri-Food Act

Clause 1

Mr. Martens: — Mr. Chairman, this Bill does a number of things that I want to ask some questions about. If the minister would agree to go through the different sections, I believe down to section 3 — the bottom of section 3 — if we can go through that up to that point, and then I'd like to have some discussion about that section. And then we'll go to the next one.

Hon. Mr. Wiens: — Mr. Chairman, just for clarification are you asking for a brief overview of the first three sections or just to begin at section 3?

Mr. Martens: — If the chairman would like to he can go through and do section 1 and section 2, and then we'll deal with section 3.

Clause 1 agreed to.

Clause 2 agreed to.

(1015)

Clause 3

Mr. Martens: — Mr. Chairman, would the minister identify what these two sections under section 3 deal with?

Hon. Mr. Wiens: — Mr. Chairman, to very simply state the purpose of this provision, it is to allow development or marketing agencies the power to own shares in companies. Presently these agencies, for example the SPI (Saskatchewan Pork Producers International) — used to be the Pork Producers Marketing Board — or any of the other agencies that are involved in sales in Saskatchewan, could be full owners of facilities under the Act, processing facilities, but they couldn't be shareholders.

This creates an opportunity for them to be shareholders where others also have an interest in processing facilities so that we can best promote the development of new products and markets for our products here.

Mr. Martens: — Does that deal with both section 1 and section 2 of the Bill? Is that what it includes?

Hon. Mr. Wiens: — Mr. Chairman, yes. Essentially it does deal with both sections.

I just want to clarify a little bit the circumstances. What's clarified in the second section is that, while these powers are granted to marketing and development agencies, they must be approved through regulations by the Lieutenant Governor in Council. So they can't do it independently.

As the member opposite I think is aware, there had been substantial heartache and pain in the Alberta industry

with the industry being . . . taking on initiatives that may not have been agreed to be in the public interest. And so this does provide a mechanism by which government can participate in the planning, before those kinds of events take place, to confirm the public interest of those kinds of initiatives.

Mr. Martens: — Do you have an idea of what kind of regulations that you're going to have there? For example, are you going to ask for a producer vote if in your opinion the size of the venture is significant enough to put perhaps the industry at risk? — as you mentioned, Alberta. What have you got in mind there?

Hon. Mr. Wiens: — Mr. Chairman, I think the cautions the member from Morse raises are real and reasonable ones. As you're aware, the agri-food council does monitor the functioning of development of marketing agencies in the province. They have an interest in the stability of the ventures and the public interest as well.

I think what we will do is consult with the agri-food council with respect to required regulation to make sure that we have reasonable checks and balances in the public interest. Whether producer votes in the end become practical or reasonable, the right answer may be a question that should be discussed with them in advance of a specific case. Clearly the need to provide a measure by which the interests of both the producers and the public is dealt with soundly is important, and that we'll be asking the agri-food council to work with us in guiding regulatory processes from here on.

Mr. Martens: — Section 5 deals with section 7 under the Act. And would you give me just an overview. And then the last part of section 6 deals with the producer shares and items similar to that. Would you give me kind of an overview of what you're talking about there.

Hon. Mr. Wiens: — Mr. Chairman, I wonder if I could ask for clarification in both cases. In section 5 was it 7(c) or (d) that you wanted clarification on, or like subsection 7(c) and (d)? And on section 6 was it 12(c) or is there a specific point?

Mr. Martens: — It's on section 6, dealing with that . . . it asks for I believe changes in the share structure or . . . well the explanation says that this clause will enable the Lieutenant Governor in Council to place terms and conditions upon acquiring or handle shares, bonds, debentures, or securities for development commissions that are elected by the producers.

And this will give you regulating-making power in handling and determining what happens. And I think that's section 7.1, I think.

Under the item in your explanation points, page 5, it says new provisions.

Hon. Mr. Wiens: — Right.

Mr. Martens: — And those are the ones I'm referring to.

Hon. Mr. Wiens: — Mr. Chairman, the question the member asked has to do with clarification of the terms

and conditions for what we had been discussing earlier, where an agency acquires shares. This describes the circumstances under which that can happen. It could include limiting the amount of ownership or describing the nature of others who participate or the processes by which they're acquired.

Mr. Martens: — Okay. I have one other . . . or two other questions — one dealing with the percentages. Why did you go from 50 to 60 per cent on the percentages on the vote?

(1030)

Hon. Mr. Wiens: — Mr. Chairman, the provisions with respect to the percentage for approving establishment and amending conditions is returning in this legislation to a practice that was there before.

The difficulty that arises with the present circumstances is that it requires 50 per cent of all producers to participate and be in favour of changes in that regard. And as the member is aware, often there are people who participate in a minor way in an industry and don't get involved in the voting procedures. So that making decisions in an industry is very difficult.

The option that's been chosen here, consistent with that chosen in many other provinces, is to go to 60 per cent of the producers who vote as opposed to 50 per cent of all producers, believing that those who vote are those who have the . . . a serious interest in the future of their industry. So that's the nature of the change and the reason for it.

Mr. Martens: — Mr. Minister, there was a lot of discussion in relation to this 60 per cent versus 50 per cent of producers, or 60 per cent of those who vote. And the reason being that traditionally very few people have voted in . . . like we could use examples of the establishment of the sheep board. You could say, okay, let's take another one. The canola, when they . . . and they're the ones that initiated this discussion, and the process that we did in getting it to where it was. It was the canola association that we really went through the hoops in establishing how it should be done.

The concern always was raised by those people who don't want to be involved and yet get included. I just want to point out that the risk is there. I've had a letter and I think you've probably had a letter from the sheep people saying that if everybody isn't going to participate like we said we were going to in a check-off, then I'm not going to participate either. And that's the risk that you run when you deal with it on this basis. Then you go send the policeman out to check that all up. And that's the difficulty that arises when there aren't sufficient enough of these people involved. And I don't know whether you'd ever get the small sheep producer involved in this discussion.

So that's a point that I want to raise in relation to this. I'm not sure that you're going to gain this way because people are going to get, again, a little irritated by the fact that you're doing that.

Hon. Mr. Wiens: — Mr. Chairman, I want to identify for the member opposite that that is a concern, and we've attempted to address it in the legislation by saying that . . . by placing in the Act, in conjunction with this change, the requirement that the Lieutenant Governor in Council would have the power to fix minimum numbers of votes required to establish boards and amend their plans, so that we hopefully do not allow this to happen in a fashion where a small group of producers misrepresents the industry through an action as a result of a change in the voting requirement. Clearly there is a need to put some protection in there against the point the member raises.

Mr. Martens: — I'll raise it just from this one more perspective and that is the Milk Control Board, as I understand it, is now going to put into place — and they're not under this Act, but it gives me the example to use — they're going to exclude, in one year, cream producers, as of August 1. That's what I've been told, at least.

And what has been raised with me is these people who have these small cream quotas are now going to be pushed out of the business when, in a lot of cases, that's their grocery money. And it has been for, in some cases — one instance was brought to my attention — probably for 40 or 50 years. And in another case that I know of, this individual is using that to establish his farming.

So what sometimes happens, the big ones push out the little ones, and in view of progress and all of those good words, but in light of progress on the individual's farm, it doesn't do that. So that's why I raise it with a concern that you really have to be careful on what the minimum requirements are in relation to the volume of people.

I'll give one more example, and that is the broilers. I think there are 16 broilers in the association as it exists today. And that's not a significant number in relation to those people that perhaps would be interested in getting involved. And yet the control is there by those 16 individuals. And they can . . . Well in some ways they're jeopardizing an increase in production in this province.

Because of the national quota, we have to get our chickens and chicken products into Saskatchewan from other places. And I know that there are people that have moved out of my constituency, for example, who had chicken wings and couldn't get a supply, so they moved to British Columbia. And there they could supply the market. They had a good market here, but they moved out in order to accommodate that.

And that's the kind of thing that I think you have to be very, very careful of in dealing with these items. Because what you're doing is you're measuring the control of not only the product but also the increase and decrease in expansion and compaction of the industry. And so you have to be very careful there.

Hon. Mr. Wiens: — The member from Morse raises legitimate concerns. I've had those concerns expressed to me, I think probably from the same individuals in the same letters. And as an industry evolves and changes as a result of changing circumstances, we need to be sensitive to everybody's interests.

With respect to the issue of supply management in Canada, there are historic quotas established that may not necessarily be fair or related to local consumption or local needs. One of the great dilemmas within the supply-management sectors in Canada right now, is the rigidity of the national rules and the difficulty finding a process to make reasonable adjustments. And in the end, it's often national rules and inflexibility that impacts on the producers for whom a small enterprise is very important to their establishment and their survival.

So I very much appreciate the concerns you raise. And hopefully with appropriate consultation beyond those with the largest interests, we can maintain some sensitivity in our policies. Thank you very much.

Clause 3 agreed to.

Clauses 4 to 13 inclusive agreed to.

The committee agreed to report the Bill.

Hon. Mr. Wiens: — Mr. Chairman, I would like at this point to thank my officials for coming over this morning and providing support to this discussion, and appreciate the contribution of the members opposite in raising some sensitive areas in both pieces of legislation that need to be addressed. Thank you very much.

Mr. Martens: — Thank you, Mr. Chairman. I want to thank you and your officials and also convey my thanks to Merv Ross and the people that were here with him. Thank you.

Bill No. 30 — An Act to amend The Corporation Capital Tax Act

Clause 1

The Chair: — Would the Associate Minister of Finance please introduce his officials.

Hon. Mr. Shillington: — Thank you very much. I think members opposite will recognize, sitting beside me, the deputy minister of Finance, John Wright. He has spent some time in this legislature. Seated on his right is the assistant deputy minister, Len Rog. We'll commence.

Mr. Toth: — Thank you, Mr. Chairman. Mr. Minister, just a few comments, and I'm not sure how many questions we'll be actually placing before the minister this morning regarding Bill No. 30.

But back on June 4 when the Minister of Finance introduced the corporate tax before us, the corporate capital tax, he made a number of comments regarding choices that the government was forced to make at this time and referred back to previous years and some of the choices that may or may not have been made by the former government. And I just want to clarify a couple of points.

Firstly, back in '90 and the springs of '90, 1990 and the springs of 1991 the government of the day introduced a number of changes as well regarding taxation structure

and making suggestions to try and overcome the deficit problems that the province of Saskatchewan was facing, the deficit problems that were being faced by taxpayers and certainly by the government.

And back on June 4 of this year the indication was given that the former government just spent willingly and really didn't attempt to try and address the issues. And certainly if we would take the time to review *Hansard* we would be aware of the fact that indeed attempts were being made.

But the present government, then opposition members — and certainly the member from Regina Churchill Downs — I think will be quite familiar with a number of the speeches and a number of the comments that were made by then members suggesting that the government was not doing enough to help the poor people, helping those who were facing difficult situations, where they weren't doing enough to address the need for spending in health care and education and continuing to support the programs and support the funding that was needed to maintain programming.

And the Minister of Finance went through quite a debate back on June 4 condemning the former government for not making the right choices, indicating that what the choices they were making now were appropriate. And yet when the former minister of Finance introduced some restrictive measures, introduced some measures of trying to bring forward added revenue to address the financial problems the province was facing and in fact in some cases took away from the services, tried to cut back or put restrictions on so that we could place responsibility . . . more responsibility at the feet of taxpayers and at the same time raise money, we were criticized at the time.

One of the areas that was and continues to receive a fair bit of criticism is the harmonization of the provincial sales tax or the education and health tax with the federal GST (goods and services tax).

(1045)

Now I understand the corporate capital tax that we have before us today is increasing the burden on corporations — if I understand that correctly — going from 2 per cent to 3 per cent. Now I think, with all due respect, most people have no problem in suggesting or bringing forward the fact that corporations should not pay their due portion of the tax.

What I would like to know of the minister is, when we're talking of corporations under this tax, what kind of corporations? Is it all businesses or all companies in Saskatchewan? Or is it just . . . Are we dealing with just specific corporations? Which businesses and corporations would this tax specifically be addressing?

Hon. Mr. Shillington: — Thank you very much. The Act itself affects about a thousand corporations. It is those corporations in Saskatchewan whose paid-up capital exceeds 10 million — a fairly exclusive club.

These amendments only affect . . . One of the amendments affects financial institutions. The other affects resource companies. There would be fewer than

200 corporations affected by these amendments.

Mr. Toth: — You're saying fewer than 200 corporations affected by the amendments? And you're saying that it's corporations in the neighbourhood of . . . was it \$10 million-plus? And is that . . . did you call that . . . say capital assets that are affected, Mr. Minister?

When we're talking of corporations, what type of revenue or what amount of revenue does the government expect to generate by the increases? I notice in one case is an increase from 3 to 3.25 per cent, and in another situation it's going from 2 to 3 per cent. Maybe you could just mention the total revenue and then we can address what the 3 to 3.5 and the 2 to 3 per cent means, Mr. Minister.

Hon. Mr. Shillington: — The total revenue which we anticipate these amendments will . . . The total additional revenue which these amendments will garner we anticipate would be 27.4 million, of which 25.1 million comes from resource companies, the balance from the amendment which affects financial institutions.

Mr. Toth: — You talk resource companies and financial institutions. Would the financial institutions be . . . the increase that they're facing, is that the 3 to 3.25 per cent?

Hon. Mr. Shillington: — That's correct.

Mr. Toth: — When we're talking of financial institutions, we're talking of the banks and any institution that is providing funding or lending of finances to whether it's consumers or government or businesses, whatever. Is that true?

Hon. Mr. Shillington: — It applies to banks, trust companies, loan companies. The major exclusion here is it does not apply to credit unions.

Mr. Toth: — Mr. Minister, why would credit unions be left out of this Bill or this clause at this time?

Hon. Mr. Shillington: — There are a couple of . . . two explanations. The exclusion occurred in 1980 actually, and remained unchanged since that time. There are really two explanations. One is that at that time co-operatives were treated — and it's still true to some extent — co-operatives were treated differently under The Income Tax Act than private corporations were, and this Bill reflected that distinction.

In addition, they're structured differently. Most credit unions would not have . . . in 1980 few credit unions would have had \$10 million in paid-up capital. Rather than include some and exclude most, and because they at that time were treated very differently under The Income Tax Act, they were excluded from this Act.

As I recall the discussion at the time, the banks and financial institutions were not happy with this legislation. I don't recall them having been particularly critical of the exclusion of the credit unions. I don't recall them having suggested that was somehow discriminatory. Credit unions have been treated differently.

Mr. Toth: — Talking about credit unions, Mr. Minister,

would there be any credit unions that would, if the Act included them, that would fall under the perusal of the Act and the \$10 million limit, that would be forced to pay under this Act?

Hon. Mr. Shillington: — We don't know with precision. It's not relevant to the legislation. If you were to ask us to venture a guess, we believe there would be Credit Union Central — perhaps three, four others as well. But that's something of a guess.

Mr. Toth: — Here's another question that a lot of taxpayers would have. And of course whenever we talk about corporations, people view large corporations and resource companies as organizations or individuals or groups of individuals that are deriving a fair bit of revenue from the province and certainly should be paying their fair portion of the tax.

And no one will argue the fact that we . . . I believe and I believe my colleagues believe, we all believe, that people should indeed be paying a fair portion or their portion of the tax. And as we indicated last spring regarding the harmonization of the provincial E&H (education and health) with the sales tax, it would have indeed put an onus on all individuals to have a part. And certainly people with a lot lower income, a lot lower needs that they're spending, they wouldn't have been paying as much as, say, large organizations.

The question I'd like to ask of the minister: we've gone from 3 per cent to 3.5 per cent. And I'm not sure what kind of response has come from the industry at this time, whether they feel that's excessive. I'm wondering if maybe the corporate tax could have been even increased, say, to 4 per cent. And I'm just wondering for your views of what the impression may be as far as deriving the appropriate share of revenue for the province.

Hon. Mr. Shillington: — That's a good question. Your question is whether or not we might have gone higher. That's a good question.

We increased it from 3 to 3.25. The member's stated 3 to 3.5; it's actually 3 to 3.25. We didn't hear a lot of criticism from the financial institutions and resource companies. Perhaps the member might suggest that's a reason to suggest we should have gone higher. There were those I suppose in our caucus who might have lent some support to your proposition in that regard, but we felt these were reasonable in the circumstances.

I could give you the explanation of why we thought the increases, the more modest increases, were reasonable, but I won't. Unless you specifically ask it I won't take up the time of the Assembly. We haven't had a lot of criticism of . . . they seem to accept the increases. They may have been expecting worse. The question as to whether or not we might have gone higher and still enjoyed relative calm, who knows? That's a difficult question to answer.

Mr. Toth: — I guess another question that comes forward, Mr. Minister, is the corporate capital tax and the structure and the amount we have in the province of Saskatchewan, is how does this compare with other jurisdictions across the country? And indeed does it now

create . . . or is Saskatchewan seen as having a playing-field that is not as level to work with or to build upon in comparison to other sectors across Canada?

The Chair: — Why is the member on his feet?

Mr. Roy: — Mr. Chairman, I'd ask to have leave to introduce guests.

Leave granted.

INTRODUCTION OF GUESTS

Mr. Roy: — Mr. Chairman, and fellow members of the legislature, I'd like to introduce to you and through you to the members, a constituent of mine, Mr. Reinie Kirsch and some guests from Middle Lake. Mr. Kirsch operates . . . owns and operates a road construction company out of Middle Lake. He's in Regina this morning on official business. I'd ask all the members of the legislature to give him a warm welcome. Thank you.

Hon. Members: Hear, hear!

COMMITTEE OF THE WHOLE

Bill No. 30 (continued)

Clause 1 (continued)

Hon. Mr. Shillington: — The response to the hon. member is that our tax rate is the highest, both with respect to financial institutions and resources, is the highest in Canada. And that suggested some caution to us when we were setting the rates, that perhaps they shouldn't go an enormous amount higher.

I should add as a qualification that our base is also narrow. We exclude anyone under 10 million. Not all jurisdictions do that. So while the rate is high, the base is narrow, and it is difficult to compare different jurisdictions. The structures are so different.

Mr. Toth: — So what you're saying, that indeed the corporate capital tax structure in this province is higher than other jurisdictions, across this province. Has it to date created a problem regarding corporations taking a view of maybe looking at elsewhere to provide the business or run their head offices or, Mr. Speaker, have you had indication that these corporations are looking at other, alternative ways of doing business in the province of Saskatchewan?

Hon. Mr. Shillington: — That's always a consideration, setting taxes. Not only corporations but people as well are relatively mobile. That's always a consideration, and it was here as well.

I think probably a summary of the position the corporations took on this is that while they didn't like the increase in taxes, and both with respect to the financial institutions and the resource companies it comes at a difficult time — commodity prices are low and the banks have their problems abroad — in both cases I think they saw this as their fair share of debt reduction and putting the province on a sound financial footing.

I think it's true corporations prefer to do business in a jurisdiction which manages its affairs sensibly and in a business-like fashion. So I think while the taxes went up, they approved of what we're doing and genuinely approve and like that fiscal regime.

Mr. Toth: — Mr. Minister, what effect did the changes in this Act have to corporations like Saskferco, Weyerhaeuser, and NewGrade? I think they're three of the major resource sectors in this province or, if they aren't, will be. And I'm just wondering, in light of the fact that they would probably be three of our major employment resource bases as well, is there any major impact in what . . .

Hon. Mr. Shillington: — It's been the policy of all administrations in Saskatchewan and elsewhere not to discuss specific clients. It would reveal some highly confidential information if we were to tell you what the impact was on those three companies. So it's the kind of information which governments everywhere do not release at all, much less in a public forum such as this before a television camera.

Mr. Toth: — Well, Mr. Chairman, thank you, Mr. Minister, I can appreciate that. Certainly I wasn't looking for a lot of in-depth information; just kind of wondering whether these corporations were consulted. You had talked about it and I believe you had indicated some kind of consultative or intensive process that was taken in conferring with major corporations and lending institutions across the province about the Bill, about the implications of the Bill and the increase in corporate capital tax. And I trust, Mr. Minister, that that process was indeed followed through.

And I'm just wondering if the minister would give his assurances that the process was followed and that everyone has been informed of the changes appropriately so that they could make the proper business and financial changes that they would have to make regarding their businesses.

(1100)

Hon. Mr. Shillington: — We did consult. Within the limits of budgetary secrecy, we did consult with the corporations in both areas. They were aware we were planning changes; weren't aware of the specific amounts until budget night.

But we did consult both with financial institutions and with the resource companies, informed them we were thinking of tax increases and got their reaction. So the consultation process I think was relatively sound, within the limits of budgetary secrecy as it's now practised in Saskatchewan.

Mr. Toth: — The other question I did pose, Mr. Minister, and probably the most important one is: did indeed the department or the minister inform the corporations of the changes so that appropriate business decisions could be made by these corporations regarding the Act and the budgetary changes taking place?

Hon. Mr. Shillington: — Yes. Since the budget we've certainly taken steps to inform all corporations who are affected as to the changes. I think they're virtually all familiar with it now and no doubt I think have probably made the appropriate adjustments by August.

Clause 1 agreed to.

Clauses 2 to 8 inclusive agreed to.

The committee agreed to report the Bill.

Bill No. 46 — An Act to amend The Income Tax Act

Hon. Mr. Shillington: — We are, Mr. Chairman, just being joined by Kirk McGregor and Nancy Wright. It will be obvious which is which without, I guess, me introducing them.

Clauses 1 and 2 agreed to.

Clause 3

Mr. Martens: — Mr. Chairman, would the minister give us an explanation of 5 and 5.1.

Hon. Mr. Shillington: — I have a written explanation here. I will read it, then I think I will send it to the member. It's somewhat technical and it might be of assistance to you if you got it.

But I will read it into the record: Section 3 sets out the calculation of basic Saskatchewan tax for individuals. The section makes reference to the sections dealing with the flat tax, section 3.1; the Saskatchewan tax reduction, section 4; and the high income surtax, section 5. The section is being amended to also reference the new deficit surtax which is introduced to the new section 5.1.

I'll ask the page to give you that.

Mr. Martens: — Mr. Chairman, Mr. Minister, what revenue are you expected to generate from the change in the flat tax?

Hon. Mr. Shillington: — There is no increase as such to the flat tax. There is additional revenue raised to the deficit surtax. The figure there, if the member was asking about it, is \$62 million is the additional revenue. That is offset by a loss of \$2 million through the low-income reduction provisions.

Mr. Martens: — Is that how the \$200 on your first page comes into play, and the 300 on the second page, and the \$10,000 — is that how that balances itself out?

Hon. Mr. Shillington: — Yes, that's the relevance of those numbers. That's right.

Mr. Martens: — Is there any provision for the child tax credit in this Act?

Hon. Mr. Shillington: — Yes, if the member can find his copy of the budget address, the printed copy, page 32, contains an explanation for that. It says:

In addition, to protect lower income families, the Saskatchewan Tax Reduction will be increased by \$50 per child . . . commencing July 1 . . .

So it is in fact a \$50 increase in the child tax credit.

Mr. Martens: — Is that where you suggested the \$2 million was going?

Hon. Mr. Shillington: — That's correct.

Mr. Martens: — That's over and above . . . That's the \$50 is equivalent to \$2 million, right?

Hon. Mr. Shillington: — That's correct.

Mr. Martens: — How much is being given back to the families for the \$200 . . . so we've got . . . Give me the total that is being provided back.

Hon. Mr. Shillington: — Again I would refer the member to . . . And I'm not suggesting there's any reason why . . . Your question's quite proper. But if you want the answer in writing, you would find it on page 39 of the printed copy of the budget address.

And I'll read the answer into the record. The Saskatchewan tax reduction, the \$200 sales tax reduction raises in '92, \$30.9 million. The \$300 spousal tax reduction raises \$6.3 million . . . costs, I'm sorry. The \$200 dependent child tax reduction costs 15.3 million. And the \$200 per senior citizen reduction cost 5 million. The total there is \$54 million.

Mr. Martens: — I'm not going to debate with you a long time about the value of this tax and moving the corporate capital tax and the surtax, but I just want to point out to you that my personal view is still that the harmonization, which you promoted when you were in opposition, was still probably the best way to deal with this problem.

You may have had a different view of what should be taxed than what we did. But I think that your assessments earlier on were accurate and that that's what you should have done. And I think that you need to have brought that into consideration and dealt with that in a more substantive way, and not only to protect your reputation, of course, but to also enhance the reputation of the Department of Finance.

Hon. Mr. Shillington: — The member is suggesting I have not grown in stature and wisdom since our days in opposition.

These are subjects about which honest people will disagree. You've had an extensive and I think a useful discussion with the Minister of Finance on the subject. I won't repeat our reasons why we decided not to go with the GST in the income tax, why we decided not to go with the GST but instead chose our own provisions. As I say, they're subjects about which honest people would disagree, and we probably will continue to disagree for some time.

Clause 3 agreed to.

Clause 4

Mr. Toth: — The minister had indicated that the child tax credit is going to be increased from 200 to 250. Now according to the budgetary expenditure . . . or the budget address, it indicates that the 250 for a dependent child is effective July 1, 1992, whereas the explanatory notes regarding this section indicated that it increases to 225 for '92 and 250 for 1993. Can the minister explain what the difference is there or if indeed the explanatory notes are wrong and it's going to 250 as of July 1, 1992?

Hon. Mr. Shillington: — No, the explanatory notes contain a more precise description than the budget address did. Because it is only a half year, it's only half an increase for this year. So the explanatory notes are correct and the explanation is you're only increasing it for half a year. Next year you'll get the full \$50 increase.

Mr. Martens: — So I take it that the \$25 is from July on and the next \$50 will be 25 and 25, right? It's paid on the quarter, I believe, is it not?

Hon. Mr. Shillington: — It's \$50, but it's only half a year. Yes, you follow me. It is paid out next year when you file your income tax return; you get the effect of it then.

Clause 4 agreed to.

Clause 5

Mr. Toth: — Mr. Chairman, in this clause we see . . . and here I take it's the same scenario that's taking place. As of July 1 we have a 5 per cent increase and that's basically taking in the last six months of the year; but technically if you were to look at the full year, it's a 10 per cent increase in the surtax.

Another question I have is — it's entitled: a deficit surtax on basic Saskatchewan tax. What does the minister or the government mean regarding deficit? Is the government specifically taking these funds and talking about putting them in some form directly against the deficit, which I think when the public out there hear about deficit surtaxes or taking money to put against the deficit . . . And we've run into the situation with the federal government, I'm sure the same question arises on the GST, the fact that they brought forward the GST to attack the deficit. And I think a lot of the public have the perception that you can just take funds and put it directly against the deficit.

But the only way to really attack the deficit is to attack overall spending. And it's pretty hard to just go around and say, well we're attacking the deficit and so we're going to, say, drop the deficit from the 858 million, we're going to drop it 25 million this year directly.

But still the taxes . . . the interest accumulates so I guess when it comes back to it, I think that we must be careful when we talk about deficit financing and the fact that if we're attacking the deficit we have to look at the overall tax burden. And it might be more appropriate to use another term there, Mr. Minister, so that people realize that there's only one way of doing it.

(1115)

Hon. Mr. Shillington: — The member's accurate. In Canada, all Canadian jurisdictions have a single fund, the Consolidated Fund. The names we give taxes are often signposts which governments use to point in a direction which their policy is taking them, but don't indicate a particular dedication.

The same has been true of The Education and Health Tax Act. It's not dedicated to education and health. At the time, the Douglas government was emphasizing health and education and chose to use that name. So these names are really signposts pointing in a policy direction. They do not indicate that the taxes are dedicated to a particular purpose.

Mr. Martens: — The deficit surtax is an interesting name to call it in light of a direction, because your deficit went to 517 million more this year. And I would suggest that perhaps, although it's not a part of this Bill, there's other places that you haven't looked at for reducing deficit.

You've increased the SaskPower when you had \$118 million surplus last year. You increased the telephone rates when you had a 40 or \$50 million profit last year. I think you had a 15 or \$18 million profit in SGI (Saskatchewan Government Insurance). There's definitely other places where money could have been as well allocated to deficit, if that's what you were prepared to do. I just want to point that out, that it's not really a deficit surtax. It's just what you called it. That's all.

Clause 5 agreed to.

Clauses 6 to 9 inclusive agreed to.

The committee agreed to report the Bill.

Bill No. 62 — An Act to amend the Fuel Tax, 1987

Clause 1

Mr. Toth: — Mr. Chairman, as we have seen this morning, we have a number of Bills that have been introduced to legitimize the budget that was presented by the Minister of Finance back in May or almost June, I guess, when the budget came forward — a budget which, Mr. Speaker, I think a lot of people across this province had not quite expected from the government at this time, in light of the fact that over the period of the last two or three years the government, while in opposition, indicated that \$4.5 billion was more than adequate for the government to run its operation and to live within.

And many people felt that certainly if the opposition really believed that — and we heard the phrase that had been coined over the past three years about getting control of waste and mismanagement — that indeed if an NDP government was elected to form government in this province, that they wouldn't increase taxes, that the services would be maintained, and that they would find a way, if in fact it was true, that they could live within that \$4.5 billion revenue that was being generated.

However as we've seen this morning, Mr. Speaker, there have been a number of areas where the government has

indeed increased taxation. And the Bill before us right now, the Bill No. 62, the fuel tax amendment Act, is another form of increasing taxes that are going to affect many people across this province.

And not just . . . One of the major problems that The Fuel Tax Act creates, Mr. Speaker, is — and it's addressed at the agriculture and the business sector — I believe, is that many small vendors across the province who are going to be faced with . . . and I'm not quite sure, but maybe we need a clarification on this. The government talked about reintroducing a colouring program for purple gas and . . . or is it purple diesel, I believe. I'm not sure. That's where the clarification must come in.

But it also . . . What we find, Mr. Chairman, I think is fact that over the years the department certainly talked about slippage in The Fuel Tax Act, and the fact that maybe many residents of the province weren't paying their fair share of tax at the time. And so at this time I would just ask the minister what the real purpose is other than to collect more taxes, and how the government is going to bring this under control.

Hon. Mr. Shillington: — The changes in the fuel tax themselves were intended to raise revenue. However the changes to the farm fuel situation were intended to avoid evasion. Public servants in the Department of Finance refer to it as leakage. It isn't the fuel that's leaking, it's the revenue. There was a fair amount of evasion.

I would again point to the comments made in the printed copy of the budget address, page 35. I'll just read this; it's worth reminding ourselves:

Since the re-introduction of the Fuel Tax on individuals, the Province has seen a significant escalation in the consumption of farm gasoline, which is currently exempt from the Fuel Tax. This increase is, in part, attributable to the use of this exempt fuel in non-farm operations, where fuel consumed is subject to taxation.

Within three years of the re-introduction of the Fuel Tax on individuals, the amount of tax-free gasoline sold in Saskatchewan rose by 32%, while the consumption of tax-paid gasoline over the same period fell by 21%. A similar change in consumption occurred with diesel fuel. This shift is causing a decline in Fuel Tax revenue of . . . 25 million . . .

It was apparent that the regulations as they were structured encouraged abuse. And these changes were designed to ensure that honest farmers were not penalized, which was one way of characterizing the former regulations.

Mr. Martens: — Thank you, Mr. Chairman. One of the things that has been brought to my attention, Mr. Minister, and that deals with disparities between producers who use diesel fuel and who use gasoline for the same function.

And I'll just use as an example, the bale wagons that you've got can be diesel or gas, and those that have gas

have serious problems in relations to this, because the diesel can be exempted and the gasoline cannot. And I would say that, just from experience, that better than 50 per cent of them are gasoline. And that is a significant negative in dealing with the balance that will provide for individuals who have to compete because they have to buy, first of all, more expensive fuel, and now the tax is going on.

I also want to point out it is significantly different also in the area of the small to medium farmer who hauls his grain with a gas truck and the very large farmer who has diesel engines running his business. What I see happening now is that there's a trend to move to the diesel rather than to the gas, and I'm not sure that that's going to benefit in the long run because they're going to have to pay the additional costs in dealing with that.

And those are two areas that people have raised a concern to me about in this area.

Hon. Mr. Shillington: — The member's accurate. These two fields are not treated the same. It is . . . I suppose in some ways it may appear more attractive to use diesel fuel.

I would point out — I think the member's aware of this, and this doesn't quite answer his comments — but I would point out that the \$900 per year rebate will compensate farmers for a total of 1,000 acres of farm land. So it's intended to be an average. The gasoline, they are rebated on some sort of an average for 1,000 acres. Diesel fuel — the member's correct — it is exempt. And they can use an unlimited amount of it, which is exempt. The member's correct.

These things are always a matter of balancing a convenience for administration and the expense and convenience to dealers versus equity in treatment. There's always a trade-off between convenience of administration and the expense to which we put people — and particularly the business community — by complex regulations versus equality. You always have a trade-off between perfect equality and simplicity. The two are often mutually exclusive.

But with gasoline, because it is of limited use . . . Now the member's correct. In some particular operations, it's used more extensively than others. But these are always a trade-off between simplicity and absolute equity. This is where we choose to draw the line. The line is not chipped in stone and found on the side of Mount Sinai. These things can be . . . This will be reviewed. If this appears to meet general satisfaction, we'll leave it as is. If not, we'll adjust it.

I will just point out to the member that we've received quite a number of comments about the budget. We've received very, very few comments about the treatment of gasoline. That may indicate that they're not aware of it, or it may indicate that it's not in the scheme of things a large and serious problem. Perhaps the member from Morse, perhaps your experience has been different. I'm told by the . . . I wouldn't receive a lot of comments in my constituency in any event, no matter what you did. But the member from Morse and the member from Moosomin

might have had a different experience in their ridings. But the officials tell me they've received very, very few complaints about the treatment of gasoline.

Mr. Martens: — Well I do have . . . in my constituency I have more irrigation than they have at Outlook, in the Outlook irrigation project. So I have a significant amount of investment that people have made in providing water to develop irrigation. And that lends itself to the things that I'm talking about as it relates to hauling bales and bale wagons, automatic bale wagons. And the farmer that has a bale wagon and has to deal with it that way, 1,000 acres is of no significance in relation to this. Because it's not what 1,000 acres on dry land can produce, it's what 300 or 400 acres of irrigation can produce.

And we have a significant amount of people who have that kind of investment. And then they get the additional costs of this sort of thing, and that is seriously impacting on them. And I think that if you want to make it available to farmers — and I don't believe in purple gas either — but that's where you measure the benefit that these individuals will get.

And then you come to the second point that is raised. And I guess I'll ask the question first. In a farm of a certain size, with three people or four people in a partnership or whatever, how many of them can qualify for the \$900? Or are you going to take it that if you have three people, they have to have 1,000 acres? Or how are you going to do that?

(1130)

Hon. Mr. Shillington: — The specific example you mentioned I think was a case of brothers who were running a partnership. They would be entitled to separate exemptions. They would be entitled to separate rebates.

The definition which has been used by the department is that if the people are related, they don't get separate rebates, if they're not related they do. Related is given very narrow definition; it means immediate family — husband, wives, and children. Beyond the circle of the immediate family, people are treated as unrelated and they would be eligible for separate rebates. I see the member looking sceptical.

Mr. Martens: — The reason is, Mr. Minister, that we have fathers with sons who farm together with them and then they would . . . would they be exempt or included? And when would that definition exclude them?

Hon. Mr. Shillington: — I'm informed that if the son, to use your example, is over the age of 18, they're entitled to a separate rebate. It's only if they're under that age they are considered related.

Mr. Martens: — And then he would have to qualify for having some farm land or a permit book or some other documentation of involvement in the farm?

Hon. Mr. Shillington: — Yes, the member's correct.

Mr. Martens: — I think that one of the things that I would like the minister to deal with in relation to this, and

understand that what's going to happen is, you're going to have divisions occur.

And I'll just use the example, 900 is equivalent to what used to be called units in the permit book. As soon as you got units in the permit book, you could haul 300 bushels, and I think it went up to 500 bushels, you immediately got five permit books in a family and dealt with it that way.

What you're going to have happen here is that you're going to get what is traditionally been a single farm unit just split into numerous investments. And it isn't going to take long and you're going to have the equivalent amount flowing back out of that treasury, as you had before. That's my estimation of it.

Hon. Mr. Shillington: — Yes, the member's correct. Each of these provisions becomes an added inducement to set up separate units and have separate permit books, whereas a farm might run more efficiently if there were only one, were it not for taxes.

Again I would say to the member two things: one, the officials have been listening to your comments, and obviously born out of practical experience, and this will be taken into consideration in future years. Again we have the problem of trying to balance perfect equality and simplicity. It's never possible to do both. And often simplicity in administration — which is a benefit to the farmers as well as the officials — simplicity in administration comes about at the expense of perfect equality.

Mr. Martens: — Mr. Chairman, I also want to point out that I believe that there are added costs going to incur because of this tax to rural Saskatchewan. And I just know that there is a significant amount of value that is, in a general economic way in the . . . not necessarily in Regina and Saskatoon, but in cities like Swift Current, Weyburn, Estevan where their primary focus is agriculture and rural, that the added costs of all of this gas and this increased cost is going to further erode the income of producers in the province of Saskatchewan who have had a significant cut already in some of the programs that have occurred. And I just want to point that out, that you're not just dealing with an expenditure of 3,000 or \$5,000. In many cases you could be looking at an expenditure of a significant amount more than that because producers do buy a lot of products and they come in . . . whether it's fertilizer or repairs or whatever. And most of them have to be delivered at an increased cost to the producer.

I want to ask a specific question. It talks here about the marked diesel fuel and unmarked diesel fuel. And a person, a farmer, for example, is going to have to have . . . I'll ask the question this way. Would a farmer who had a slip tank on the back of his truck with diesel fuel in, unmarked diesel or clear diesel or whatever you want to call it, would that individual have the . . . have to carry along with him the purchase slip that he had to identify not only himself but the fuel that he bought?

Hon. Mr. Shillington: — As long as . . . I'm informed by the officials that as long as there's an F licence plate and as long as the tank — the slip tank, as you refer to it — is

not directly connected to the fuel system of the engine, it is not considered part of the vehicle and you can use the . . . you can carry whatever type of diesel fuel in it you want, actually.

Mr. Martens: — So the local contractor who has road construction or whatever, he will have to have either . . . if he has clear diesel on there for some reason or other, he will have to have a slip of paper along with him to prove what it's for.

Hon. Mr. Shillington: — I'm not entirely sure I understood the member's question. If he's a contractor working on a contracting business, he shouldn't be using an F licence vehicle for that. And then if he's . . . okay, if there is not an F licence plate on it, then I guess you're correct. Yes, he would have to have the documents relating to the purchase of it, yes.

Mr. Toth: — Mr. Chairman, I guess, and Mr. Minister, I guess one of the problems that has really been . . . confronted the agricultural sector is the fact that over the years farming seemed to be a fairly simplistic business operation, but over the past number of years we've seen more and more paperwork has become just an everyday part of farming progress.

And the changes in the fuel Act, Mr. Minister, I believe we will see that it is going to be more complex in the fact that farmers are limited in the amount that they can apply for. Now I realize in Saskatchewan farmers had to apply for a rebate, although I believe you did have the . . . For farm fuels it was deducted at source and it's just recently that the rules were changed and a form was sent out indicating that, where you would indicate if you had indeed used farm fuel for personal use, and then either submitted or else submitted claims to . . . if you didn't quite receive the total amount of tax reduction or refund that you would be qualified for.

And certainly there are many farmers . . . one of the major things that confronts us is the fact that farmers are forced to travel greater distances to pick up repairs. And they . . . and at times it may necessitate fuelling up a vehicle at a local vendor versus from a bulk dealership. And I can see . . . And I don't think it makes it any easier for the department trying to go through all these forms that are coming in.

And I'm just wondering if there isn't a simpler or a more economical way of addressing the problem. And I realize it creates a difficulty that we face out there. But maybe the department would have another answer rather than just purpling . . . colouring gas, or even setting a limitation so that indeed the producer out there who was receiving much less for his product than it's costing him to produce it isn't faced with added costs indirectly, as he's got enough direct increases that he's facing.

Hon. Mr. Shillington: — The member accurately describes the system. In setting the system we were conscious of the paper problem and attempted to simplify it as much as possible — conscious, however, that we were dealing with a situation which had been abused. And a few bad apples . . . A few bad apples, by abusing the system, have made a lot more work for everyone else.

We attempted to simplify it so far as was possible. But this was the best we could do. We will be reviewing the matter over the upcoming years and perhaps something simpler will suggest itself. The farming community may come up with something simpler.

The member's right, however. Farming's becoming . . . Farming's gone a long ways since the days when I was on the farm. It's gotten much more sophisticated and complicated.

I was interested in a statistics the other day which suggested the number of farms with computerized accounting systems is significantly higher than the number of businesses. The percentage of farms with computerized accounting systems is significantly higher than the percentage of businesses with computerized accounting systems. I think it again suggests the relative sophistication and complexity of modern-day farming.

Mr. Toth: — I think, Mr. Minister, you are accurate. Because it just seems every time you turn around, there's so much extra paperwork, excessive paperwork a farm business must be involved in to just remain viable these days.

My colleague from Morse had indicated and brought into relationship the difference . . . the added costs that a producer out there who is producing hay and certainly running a gas-operated machine versus a diesel-operated machine — one of the major areas that can be seen when you're trucking grain, the producer with the diesel-operated truck is certainly going to come in a lot more efficiently than gas.

But another area that runs is swather. Self-propelled swathers and combines is a big factor. There are many . . . The individuals out there, even that 700-acre producer, if you're running a gas-operated swather and a gas-operated combine, you may be consuming above the \$900 limit that the Department of Finance has set out. And I'm wondering if anything has been done to address some of these concerns or the problems that may be confronted by the producer out there who has a number of gas-operated machines on the farm that would put them into a much higher fuel-consumption bracket which would face higher taxes.

Hon. Mr. Shillington: — Yes. I recognize the accuracy of what the member says. There will be some with haying operations — I guess is a good example — who will use relatively more fuel. Some will use very little. And that, again, is the trade-off. This system has a good deal of simplicity but doesn't produce perfect equity in every case.

We'll be reviewing the matter as the time goes on, and we'll be seeing if the discrepancies are too large to be tolerated. This however we thought was a reasonable effort for the first year.

Mr. D'Autremont: — Thank you, Mr. Chairman, and Mr. Minister. I've received a number of phone calls concerning this issue from people in my constituencies. And the first ones that called were the co-op associations

with their larger bulk facility plants. A lot of them are marginally . . . their economics are just marginal on it and when they have to expand and put in new tanks, it makes those operations no longer viable. And so there's large concern with all of those small plants around in my area. So what they're going to have to do is they're going to have to amalgamate into one larger unit. And that takes away jobs from all of those other small towns which does create a problem.

But one of the concerns they brought up to me was, rather than actually putting in new tanks to hold coloured diesel, would it be possible to run a line off of their outlets and colour the diesel as it goes through those lines.?

(1145)

Hon. Mr. Shillington: — Yes, I thank the member for that comment. In fact we have been working with all of the retail oil sector, including the co-ops, and we are attempting to avoid the very expense which you referred to, the expense of the new tanks. We are considering the system that the member alluded to, colouring after the tanks.

Let us say that we are optimistic that that will be possible. It looks as if we may able to reach an agreement which will provide the treasury officials with the assurance that the system is fair and cannot be abused and at the same time minimizes the expense to the company. So we're optimistic we're going to be able to do just that.

Mr. D'Autremont: — Thank you, Mr. Minister. One of the other problems that has arisen with the co-ops and some of the other bulk agents in my area is they run a key-lock system. And right now their key-lock system is set up to deliver clear diesel to everyone in the community — farmers, the various trucking companies and, including in one of them, the Department of Highways.

Now because the farmers make up the bulk of their purchasers, they're going to colour that diesel. So what happens is now the Department of Highways is no longer going to be able to get diesel from this key-lock system. So the Department of Highways is going to have to go out now and buy it from the pumps and pay a much higher price because they're going to pay the full retail price at the pump, rather than buying it through the key-lock at a cheaper rate.

So, Mr. Minister, have you looked at what it's going to cost the various other departments of government when this change takes place?

Hon. Mr. Shillington: — Yes, interesting morning. I'm learning a great deal about the fuel business this morning.

I'm informed by the officials that that problem has been considered. And we have favourable consideration being given to a fuel-injection system which permits fuel from the same tank to go into a farmer's tank and be coloured purple, or go into the Department of Highway's vehicles and not being coloured. It's a system — and I don't understand the technology well — but there is a fuel-injection system which apparently will allow those

retailers to accommodate both farmers and users of clear diesel.

Mr. D'Autremont: — Well, Mr. Minister, I think in the case of the key-lock system it would be fairly expensive, because you would have to have it keyed into that card when you put it in the slot that identifies it as clear or coloured. And therefore you'd have to have a computer hooked up to it to figure this out. And then it would have to switch which lines it goes through, because your colouring will stick inside of the injection lines where the fuel will run through, and if you had a portion that's coloured in that fuel line, it's going to discolour the rest of that fuel that goes through there.

And so at some point a highway traffic officer can come around and say, well you've got purple in your tank. And if it gets to that certain point, somebody can get into trouble. What kind of considerations are you giving for that?

Hon. Mr. Shillington: — Yes. There will be some additional costs. I'm informed, however, they will be modest given the value of what you're accomplishing. I don't have any completed analysis I'm able to share with the member, but I'm told the cost of such a system is relatively modest compared with what you accomplish.

Mr. D'Autremont: — Is the department giving any consideration then to aiding in financing this kind of change?

Hon. Mr. Shillington: — Yes. The answer to your question is yes, in a roundabout way. When we — although I think the retailers were satisfied with it — when we changed the tax, we did not require them to collect the tax on what they had in storage. And they were . . . sorry, we did not require them to remit the tax on what they had in storage. That meant that there was some income which they got, and by and large, that was intended to compensate them for the equipment.

I'm informed by the officials that this was done previously, and a few years ago seemed to work out fairly well, and the retailers are not dissatisfied with the system whereby they do not have to remit the tax for the fuel they had in storage. That windfall, if you like, goes to pay for the cost of the equipment.

Mr. D'Autremont: — Well, Mr. Minister, Mr. Chairman, I beg to differ on your term "windfall". There's very little windfall available when a tax change takes place within the system. Because what happens out in the rural areas — unless that change takes place without anyone being forewarned about it — what happens is all the farmers phone up and say I want my tanks filled before July 1 because the tax is going to increase on July 1.

So what happens is those bulk dealers really have very small supplies on hand when that change takes place because they've already delivered it all out to the farmers in the previous few days. So there was very little extra in there for them to have a windfall for which to pay for any changes to their equipment.

And what's going to happen down in my particular area

right along the U.S. (United States) border because of fuel supplies profits being very tight — because they have to compete with people across the border because it is possible to bring fuel back into Saskatchewan — their margins are very narrow and by increasing this cost to them with increased storage or with going to a fuel injection . . . a colouring injection system, it's going to make it very precarious for some of those businesses along the border.

And in fact I know of two or three bulk agents that will likely be closing down between the increased costs for going to coloured fuel and the increased costs due to the environment legislation. And they're going to be going to two or three large bulk dealerships in the whole area and that will be supplying eight or ten towns.

And so this is a burden to rural Saskatchewan because it means less jobs available in that area. And that is just another nail in the coffin for those communities.

So I think, Mr. Minister, that when you're planning your tax changes you need to give some considerations to what the overall effect is going to be in rural Saskatchewan. We've seen quite a number of things come up from your government that have been tax increases, that have been seemingly aimed directly at rural Saskatchewan.

When you look at the power rate increases, the telephone rate increases — all these type of things — while they have an impact in urban Saskatchewan, they have an even greater proportional impact in rural Saskatchewan, especially at a time when farmers are being squeezed with costs.

Farmers are going to have to put in new storage to handle coloured diesel. They don't have an injection system on the farm. And I would find it very strange if you would allow them to have an injection system on the farm to colour clear diesel.

But most farmers, when we went away from the coloured fuel system, got rid of those tanks. In a lot of cases they had tanks that were split. Half the tank was for coloured fuel; half the tank was for clear fuel. What they did was knock a hole in the tank between the two portions, so now they had one tank. Well now they're going to have to go out and buy a new tank, or they're going to have to put up new storage facilities to keep coloured diesel in. That's an added cost, Mr. Minister. And I believe that some place in the system there should be some compensations paid to farmers, to the businesses that are going to have to do this.

Hon. Mr. Shillington: — Going back to the member's initial comment, the value of the tax collected but not remitted is about a million dollars over the system as a whole. Now we admit that is only partial compensation. And it's kind of a rough-and-ready system as well. Some dealers might have more than others in storage, and thus the compensation isn't spread out entirely evenly. Again it has the advantage of simplicity at the expense, I suppose, of perfect equity.

The member's right. Farmers were put to some additional

expense. We were conscious of that. There was no real way to eliminate that and eliminate the abuse. And this was the policy decision that was made. But the member's comments are accurate. There will be some additional expense to farmers. Unfortunately the other system, which really was an honour system, proved to have unacceptable faults in it.

Mr. Martens: — Did you do any analysis that the increased cost that the bulk fuel dealers were going to have to have in order to have the storage in clear and coloured?

Hon. Mr. Shillington: — There was no . . . Certainly there was an analysis in the informal sense. We knew it was going to cost them additional revenue. We didn't have that quantified in the form of a report, but there was certainly some analysis in the informal sense.

Subsequent to the budget, discussions have been ongoing with the bulk dealers. It was initially our expectation that there would be separate storage tanks. It now appears that'll be unnecessary. That's cut the cost very considerably — I gather to something like a quarter or a third of the original cost to the industry.

But there was no analysis done by a consultant which formed a separate report, if that's what the member was alluding to.

The Chair: — Order. It being near to 12 o'clock, the committee will rise, report progress, and ask for leave to sit again.

The committee reported progress.

THIRD READINGS

Bill No. 53 — An Act to amend The Farm Financial Stability Act

Hon. Mr. Shillington: — I move the Bill be now read a third time.

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

Bill No. 59 — An Act to amend The Agri-Food Act

Hon. Mr. Shillington: — I move the Bill be now read a third time.

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

Bill No. 30 — An Act to amend The Corporation Capital Tax Act

Hon. Mr. Shillington: — I move the Bill be now read a third time.

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

Bill No. 46 — An Act to amend The Income Tax Act

Hon. Mr. Shillington: — I move this Bill be now read a third time.

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

The Assembly recessed until 2 p.m.