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EVENING SITTING

COMMITTEE OF FINANCE

General Revenue Fund
Finance
Vote 18

Item 1

Mr. D'Autremont: — Thank you, Mr. Chairman. Madam Minister, I wonder if you could supply us with a list of all the fees and charges levied by the Government of Saskatchewan.

Hon. Ms. MacKinnon: — Mr. Chairman, I can answer that. All of these are listed within the individual departments. We will do our best to give you that list, but I just want to point out that we're talking about over 2,000 individual items, so we'll take a great deal of time to compile it. So if there's some particular purpose whereby you want them collected from each and every department, we'll do our best to do that, but every one of them will be available within the particular department in which they are being charged.

Mr. D'Autremont: — Thank you, Madam Minister. I'm pleased to know that there are 2,000 of them but I'm kind of disturbed to hear that you don't have them all tied down. I would think that if you're collecting fees and charges from taxpayers of Saskatchewan, that you would keep a fairly close accounting of those monies.

I think it's important that you should be aware of exactly what monies are coming in, and from what sources, and that includes all those fees and charges that may be levied. So perhaps it would be beneficial for your department to have a complete list of them also.

I'd like to also know, Madam Minister, what the amount of increase in each fee and charge was from March of 1991 to March of 1992.

Hon. Ms. MacKinnon: — Mr. Chairman, certainly in terms of the dollar numbers, we can provide that for you.

I would like to clarify my position to the member opposite. The Department of Finance obviously keeps close account of all fees and charges that are out there. So I certainly take great exception to any suggestion that we don't know what these are.

But the point I'm making to the member opposite quite simply is this: all of this information is available within each department. Yes, we can pull it together into a master list, and we are prepared to do that if there is some pressing reason to do it. But we're talking about tax dollars. It takes time and effort to do that. And if there's some reason why the public should have that in one list, that is fine with us. But the information is available as you go through each

individual department. In terms of the dollar number, we can provide that to you.

Mr. D'Autremont: — Thank you, Madam Minister. Well we would appreciate having that information. I think the taxpayers of Saskatchewan would appreciate having that information in one block where they can see exactly what's happening with those fees and charges.

Will you also supply us with the amount of increase in each fee and charge from March of 1991 to March of 1993?

Hon. Ms. MacKinnon: — We can certainly provide the member opposite with the list in terms of what the increase of the fee has been over a two-year period, rather than just over a one-year period if that's what the member wishes.

Mr. D'Autremont: — Thank you, Madam Minister. Will you also provide us with the information on the total revenues raised by fees and charges in fiscal year 1991?

Hon. Ms. MacKinnon: — Mr. Chairman, the member opposite would know, I'm sure, that that particular number is available in the *Public Accounts*. If he does not want to look through the *Public Accounts* and find the number, we can certainly do that for him. There's no problem with that.

Mr. D'Autremont: — Well, Madam Minister, I'd appreciate it if you would look for it because I haven't been able to find it in the *Public Accounts* listed under one particular section for fees and charges.

Now it may be in there under each department under various lists and schedules, but it's not pulled together in one place, Madam Minister, at least not that I've been able to find. So perhaps if it is pulled together in one place, you could tell me where that is.

Hon. Ms. MacKinnon: — Mr. Chairman, I'd be pleased to tell the member opposite where it is. It's in volume 2 of *Public Accounts*.

Mr. D'Autremont: — Well, Madam Minister, would you also give us the information then on the total revenues raised for fees and charges in the fiscal year of 1992?

Hon. Ms. MacKinnon: — Mr. Chairman, as in the case of 1991, that number will be available in volume 2 *Public Accounts* for 1992. That information will be available on an audited basis in October and we will be certain that the member opposite gets a copy of that.

Mr. D'Autremont: — Thank you, Madam Minister. Will you give us the number you're projecting to receive for fees and charges for 1993?

Hon. Ms. MacKinnon: — Mr. Chairman, this information is available on page 12 of the 1993-94

Estimates, and it's under the heading, other revenue, and the list is there. If the member opposite for some reason wants the list broken down in greater detail, he can inform me of that and we will do that as well.

Mr. D'Autremont: — Madam Minister, what was the projected amount for fees and charges for the year 1991? Not what you actually collected, but what was projected?

Hon. Ms. MacKinnon: — Mr. Chairman, with respect to this question, it depends exactly how you're going to break that down. But in the budget address for May 1992, you'll see on page 54, other licences and permits, \$9.9 million is the amount in the budget. It would actually have been from the members' opposite budget. What was actually collected will be in the *Public Accounts* and it is a number very close to 9.9 million in the *Public Accounts* but that can be checked by looking at volume 2.

Mr. D'Autremont: — Thank you, Madam Minister. And what was the projection for fiscal year 1992?

Hon. Ms. MacKinnon: — Mr. Chairman, I'll endeavour to answer that question although I must point out that you're talking about last year's budget. The information we have here is mainly about this year's budget.

But the number is 14 million and the main change, we believe — although as I say this is last year's budget you're talking about; I'm trying to give you some answers but it's really this year's budget that we have the information about — the main change, we believe, is because of changes in lotteries.

Mr. D'Autremont: — Madam Minister, would you give us the number for what you have collected to date on fees and charges for fiscal year 1993.

Hon. Ms. MacKinnon: — Mr. Chairman, in response it's difficult to know exactly what the member is saying because he's saying fiscal year 1993 which obviously goes into two budgets, 1992-93 assuming that is what he's talking about and again on page 76 of this year's budget. The amount that we projected collecting was \$14 million.

Mr. D'Autremont: — Madam Minister, how much of that have you collected since April 1, which would be the beginning of your fiscal year for 1993?

Hon. Ms. MacKinnon: — Mr. Chairman, the member opposite then is talking about 1993-94 budget year. We do not have that number available. The information — there's a time lag before you actually pull together the information. But if the member opposite wants to put these questions in writing, as soon as we have the information, we will provide it to him.

Mr. D'Autremont: — Well thank you, Madam Minister. We would appreciate having that information supplied to us in writing and then on a regular basis since you're prepared to supply it now.

We would ask that you table those documents as they become available and provide them to the opposition.

Madam Minister, can you supply us with a list of studies conducted analysing the impact that these fees and charges have on the taxpayers of Saskatchewan? We've seen from '91 which was 9.9 million to '92 of 14 million, a \$5 million increase. You're projecting you say, \$14 million again for 1993 and yet we have seen across the board fees and charges increase. An example is the increase on seniors' fishing licences which just occurred. All of those are having a major impact on groups of people. What impact have you studied that these fees and charges are going to have on the people of Saskatchewan?

Hon. Ms. MacKinnon: — Mr. Chairman, first of all I'd like to clarify the commitment I made to the member opposite. If you put in writing what it is that you want, in terms of the fees and other charges, when that information becomes available we will provide it to you. Because as I say, for '93-94 it exists, but there's been no purpose for us to collect it into one central place. That will occur within the not-too-distant future. If you ensure that we know exactly what you want, we will provide it to you when it becomes available.

Now with respect to studies, as I've said many times in this House, what we did when we prepared this budget is we did not take each individual decision in the budget and run a whole model on how that particular decision would affect the province. What we did was something a lot more comprehensive.

We put into a computer all of the projections for the economy of Saskatchewan, whether it was what the personal income of the people in the province was going to be, what the employment levels were going to be, what inflation was going to be, what the real growth in the provincial economy was going to be — put all of those things into a computer. Then we put into that, added to that, all of the changes in this budget package.

And the results are in the budget address so that we can say to the people of Saskatchewan, on the basis of forecasts which have come to us from out of the province in terms of say the growth of the economy, we took that forecast and we put into that forecast the changes, the expenditure and revenue measures taken into this budget. And what we can say to the people is this is what the growth in the economy is going to be. This is what the growth in employment is going to be with all of the changes that are in this budget.

(1915)

And as I've said again and again, what is positive is that across the piece there's going to be growth — growth in the economy, growth in employment, and there's not going to be growth where there shouldn't be growth, that is, in significant numbers in inflation. But we did not do it individually, we did it as a comprehensive package.

Mr. D'Autremont: — Well, Madam Minister, you may think it works very well on a macro-system to plug it all into a computer and come out with a number but that does not project the impact that your charges, fees, and tax increases are having on the individuals in a micro-system.

When you look at the seniors who have had a great number of their medical fees increased, that has an impact on each individual. While it may not have a large impact on the population as a whole, it does have an impact, a severe impact on the individuals that are affected. And that's who you are ignoring are those individuals.

Madam Minister, since you don't have the answers to a lot of these questions, what I'm prepared to do is read them onto the record, if you will supply the answers for them.

Madam Minister, will you supply us the information for statutory authority on each fee and charge; (b) where applicable, the order in council number authorizing the increase; (c) the date the fee or charge first came into existence; (d) the purpose of each fee and charge; (e) the minister responsible for each fee and charge; (f) a list of all fees and charges that are income tested; and (g) a list of all fees and charges that are waived for seniors, low income people, and other special interest groups.

Will you supply that information?

Hon. Ms. MacKinnon: — Mr. Chairman, I guess what I have to do is I have to ask the member opposite a question in return. My department has given me a rough estimate that it would require one to two individuals from three to six months full-time work to collect that kind of detailed information. The cost to the taxpayer would be in the neighbourhood of \$30,000.

Now if the member opposite has some compelling public-purpose reason why 30,000 tax dollars should be spent on this relative to other places where we could spend that money, I'm willing to go along with that. But I think he also has an obligation to tell us why the taxpayer needs two people to spend three to six months at a cost of some \$30,000 to collect that sort of information.

Mr. D'Autremont: — Madam Minister, it's surprising how quickly you could come up with numbers that you want to support an argument with. But when we ask you questions on numbers, they're not available.

It seems that this \$30,000 you're talking about would be comparable to the last couple of MA (ministerial assistant) salary increases, so perhaps that's the area you could get some money from to pay for it. Because the people of this province, I believe, have a right to know what all these fees and charges are. You've got it spread out all over the place. You increase them whenever you feel you want some more money, and people don't know what these individual charges are.

All of a sudden they just get a bill for an increase.

I think it would be very important to the people of this province to have those listed in one particular place, that they know what those fees and charges are, so that they can see it when you increase those. Because that will make you accountable, more accountable, to the people of this province when it comes time for you to want to grab some more money through the fees and charges area. So will you please supply us with that information?

Hon. Ms. MacKinnon: — Mr. Chairman, I'll respond again. This information is readily available to the people of Saskatchewan. When every department comes in here, you can go through this. What are the fees? What are the increases of the fees? Why have those fees been increased? Why have this particular group been waived and this other group not waived? What you're asking us to do is to duplicate that again, right? And the problem is the level of detail that you want. There are certain things that can be run through a computer, and we can give you a print-out, and we have no problem in providing that kind of information.

But when in fact somebody has to manually try to correlate different lists, then you are asking the taxpayers to do your work, because your work can be done when each and every department is in here.

What I said is that we will provide information that is readily available and will take one or two days work. But when we actually see the level of detail that you're talking about, and people say that individuals are going to have to sit there for months correlating this, I think it's reasonable to say, is this where tax dollars need to be spent. So if it is information that can be gathered within a number of days, we will certainly provide it.

Mr. D'Autremont: — Well, Madam Minister, I think it's also very important that you and your government be accountable for those tax increases, for those fee increases. You increased them up here, there, and everywhere. And so one individual is affected by one particular fee increase and thinks, well how come I'm being hit. Or he thinks, well this little fee increase doesn't affect me that much.

Whereas across the board, it affects a lot of people, Madam Minister, and does collect a significant amount of money. So it is important to the people of Saskatchewan. And I think it would indeed be money spent on a worthy effort, more so than the increases to MAs' salaries for your departments.

Hon. Ms. MacKinnon: — Mr. Chairman, let me make this commitment. We will look through *Hansard*, look through your list, and we will provide you with the information that is reasonably accessible. And if we cannot provide you with the detail because it would take hours and hours of work, we will specify where that information is available.

Mr. Neudorf: — Thank you very much, Mr.

Chairman, Madam Minister. I want to spend a few moments here on a topic that is of some concern to me and has been for a number of years, I suppose; and that is dealing with the Provincial Auditor.

And, Madam Minister, I want you to give me your impression of whether the auditor is doing a good job with the provincial books and the audit of expenditures out of the Consolidated Fund and agencies and Crowns, and whether or not, in your opinion, it would be possible for him to do a more comprehensive audit of all of those accounts; and if so, why this comprehensive audit is not going on even as we speak.

So I'd like to have some input from you on that particular topic, Madam Minister.

Hon. Ms. MacKinnon: — Mr. Chairman, I don't think it's appropriate for me to express my personal opinion about the particular job that an individual is doing in this government. There is a statute which governs what the auditor's obligations are. There is a Board of Internal Economy which decides the budget for the auditor, and there's a *Public Accounts* where those numbers are revealed.

But I don't think it's appropriate for me to express a personal opinion. Whether I feel that he is doing a good job or not is not relevant. What is relevant is there is a statute and is he complying with the statute.

Mr. Neudorf: — No, Madam Minister, you weren't paying attention to my question. My question was based on the premiss . . . because you know full well the handicaps under which the auditor is performing or attempting to perform his functions.

Now we want to pursue this a little bit. You said it was up to the Board of Internal Economy to give the auditor the funds necessary to accomplish his objective. And we want to pursue that a little bit further, Madam Minister.

And I just want to ask you — and I'll repeat that question — from your knowledge of the restraints under which the auditor is working, is he fulfilling the function as prescribed under The Provincial Auditor Act? Now that's a comment that you made. I don't want your personal opinion; that's not what I'm asking. I want your professional opinion based on your knowledge of whether the auditor has the wherewithal to perform the function as is set out for him by The Provincial Auditor Act. That is what I'm asking.

Hon. Ms. MacKinnon: — Mr. Chairman, once again, it's not up to me to evaluate the job that the auditor is doing. It is up to the Board of Internal Economy to evaluate the appropriate budget for the auditor in terms of the functions of the auditor, and it's up to *Public Accounts* to record the numbers after the fact.

In terms of budget and the capacity of the auditor to live within his budget, I would say this to the member opposite. The budget of the auditor is 3.8 million.

When I look back at the numbers paid to the auditor when the members opposite were government, I notice that there was a substantial reduction in their last term of office, particularly in the money going to the auditor. I notice, for example, in 1989 the budget was only \$2.8 million.

I think in times of financial restraint, we have managed to ensure that the auditor was exempted from expenditure reductions, which I thinks shows the importance we place on the job that he has to do.

I would also point out that the board has been given the mandate to look at the funding and see if it is adequate, but do it in light of a plan which the auditor would present to the board — the same as you would have to present a budget to anybody who is deciding how much revenue you should be getting; and that I have written to the chair of the Board of Internal Economy telling the board that they should review the plan and ensure the funding is adequate, but the plan has to be in place. And that's all that I'm prepared to say in terms of the quality of the work done by the Provincial Auditor.

Mr. Neudorf: — Well then let me perhaps elaborate a little bit and give the people who are interested in this type of thing a broader scope of the issue that we're talking about, Madam Minister. I will agree with you one thing, and that's why my initial comment was based on the premiss that this has been giving me concern for a while, and that is the fact that yes, we were not funding the auditor to the fullest extent either.

But it was your very same party, Madam Minister, that made much political hay out of that fact. And you led the people of Saskatchewan, Madam Minister, to believe that you would correct that problem. Once you were the government, the auditor would have all sufficient funds and resources necessary to perform the full extent of his responsibilities. Those were your promises.

Now in the name of restraint, you are saying we are going to handicap the auditor even further by not supplying him with what he wants. Now I know what the budget for the auditor is this year, Madam Minister, contemplated for '93-94, and that is \$3.815 million. But then you say the Board of Internal Economy is supposed to determine what he would actually be getting based on the plan submitted by the auditor.

Well you know what, Madam Minister? The auditor did supply a plan to the Board of Internal Economy and he said, The Provincial Auditor Act dictates that I am supposed to audit all of public spending. And in order for me to fulfil that mandate, the law, I need \$4.185 million . . . \$4.815 million in order to be able to do that.

Now you're going to get up and say, well if that's what the auditor needs, it's up to the Board of Internal Economy to supply him with that money. Well you

know full well how that operates, Madam Minister. Because I hold you directly responsible for the auditor being short-changed a million dollars to the degree that he is unable to audit almost 40 per cent of the money spent. Did you get that, Madam Minister? He is unable to audit almost 40 per cent of the money spent by your government. Those are my figures supplemented by indications from the auditor. I'm not putting the words into the auditor's mouth; those are my figures. So he is not able to fulfil his mandate.

Now, Madam Minister, I charge you explicitly for that shortfall in his funding. Don't get up and tell me it's the Board of Internal Economy because your members from your side, your NDP (New Democratic Party) colleagues have a majority on that committee. And it is their determination that the auditor shall be short-changed.

(1930)

Now, Madam Minister, firstly if you talk about restraint, is not one of the functions of the auditor's auditing books to make sure that indeed the money spent by this legislature and Crowns and agencies is spent in the most worthwhile position? And how can you assure that if you don't have an audit of the books by the Provincial Auditor? I know all books are audited when you get private auditors involved. But still the auditor, the Provincial Auditor, must be able to do at least a cursory examination of all of those books to make sure that indeed he can rely on those private auditors.

So how can we be assured that you, in the name of restraint, are trying to save a million dollars on a \$5 billion budget? Would it not seem reasonable to you, Madam Minister, to make sure that everything is being done, not just in an up and up manner, but in an efficient manner, that that million dollars may be indeed well-spent money?

Because I'll tell you what, Madam Minister, you know what the auditor has told us. When he has to sit down and say, all right, I've got a shortfall of a million dollars; I cannot audit all those books, he then has to make a determination, which ones will I not audit.

In fact members of the committee will know and remember he asked us, because I can't audit all the books, what do you as a committee recommend that I do not audit? That's the dilemma that the auditor finds himself in, Madam Minister.

So that's the question that I want to ask you, because I hold you as the Minister of Finance directly responsible for the dilemma that the auditor is finding himself — you and the Premier. Not the members of the committee, because they do their job well and they listen well and they send us the message in the committee as you have dictated.

So, Madam Minister, could I ask you perhaps this question at this stage: would you reconsider the 3.815 amount and indeed . . . Oh no, I just recall something else that the auditor said. He says, now I don't need

that full amount of 4.8; 4.7 is enough because we're not going to accrual accounting at this stage and that'll save me a hundred thousand dollars.

So he has found a hundred thousand dollars from that perspective, but he will still need in the neighbourhood of \$4.7 million to properly audit all of the departments, all of the Crowns, and all of the agencies for which by The Provincial Auditor Act he is responsible for. Will you give him the funds so that he can accomplish that objective?

Hon. Ms. MacKinnon: — Mr. Chairman, I would be very pleased to shed some light on this with some facts and statistics. In 1990-91, the budget for the Provincial Auditor was \$3.04 million. By 1993-94, the budget for the Provincial Auditor had jumped to \$3.81 million. That is, in that time frame from 1990-91 to 1993-94, the budget for the Provincial Auditor had increased by more than 25 per cent. What that has to be seen in the context of is what happened elsewhere in government.

In that same time frame across government, operating spending was cut by more than 7 per cent. So what we're saying is when other departments across the piece in that time frame had to face cuts of more than 7 per cent, we have one area, the Provincial Auditor, who had his budget increased by 25 per cent. The Provincial Auditor has been guaranteed \$3.8 million this year.

We have said to the Board of Internal Economy, if there is some compelling reason that he can show to you that he cannot live with a 25 per cent increase over that time period, but needs more, then we will look at a special warrant. But surely a case has to be made why some part of government needs an increase in excess of 25 per cent over a period of time when all other parts of government, including the services that affect people in this province, have been cut by in excess of 7 per cent.

Mr. Neudorf: — Well, Madam Minister, the answer is so obvious. The auditor is the watchdog, the guy who will determine where the monies have been properly spent. And in times of restraint, I would suggest to you, he more than ever needs the resources to fulfil his function.

Now don't call him a servant of your department. The auditor is a servant of this legislature, Madam Minister. And don't equate the auditor to a normal department, a line department, that you have control over. Now unfortunately you do have control over him indirectly because you're using the power of your office to muzzle your members on the Board of Internal Economy so that proper funding is not allowed.

And what's more, Madam Minister, I suggest to you again . . . and I'll answer that question about the 25 per cent increase — I'll answer that question. You got elected, number one, on the premise that you would do better. When we were in government, I remember our front benches at the time were in continual hot

water with the budget with the auditor. I recognize that. I recognize that.

And you said you would do better. You chastised us on a continual ongoing basis for our runs in with the auditor. You would do things better. But right now what you're doing now, Madam Minister, is just like the Minister of Health is doing and many of the other ministers. In your attempt to save money, you're being counter-productive. And you're probably costing the provincial treasury more money by not allowing the auditor to do and fulfil his function properly. You're handicapping him.

So, Madam Minister, the 25 per cent increase that you're talking about is fine and dandy. But the auditor is still saying: that's not good enough; I need more money in order to fulfil my function, Madam Minister.

So what I'm asking you once more, would it not seem logical to you to give the auditor his 800 or \$900,000 more that he needs to fulfil, totally, his function, and thereby . . . And I don't have the figure on this but I think it would make sense to anybody who's listening, that when you have a \$5 billion budget that has to be accounted for, surely the auditor during the process of auditing these books will continue to find many inefficiencies that could be corrected.

And so logically, at least in my mind, through the expenditure of that 900 or \$800,000 more, the savings could indeed be quite substantial. So that it would not be a cost to your treasury, Madam Minister. It would not be a cost and in fact would be a saving to the provincial taxpayers. Do you not agree with that, Madam Minister?

Hon. Ms. MacKinnon: — Mr. Chairman, a comment first on statistics and then on procedure because both need to be clarified here.

With respect to commitments, certainly this government lived up to its commitment to do much better by the auditor than the members opposite. What I would note about the members opposite is that they actually, from 1988 to 1989, reduced, reduced the funding going to the auditor by some 10 per cent.

I think that for a prospective government, as ours was when we were in opposition, to say we're going to do better and then to come into office and to increase funding over a two-year period by 25 per cent, is doing better. I think the numbers speak for themselves. A 25 per cent increase in this day and age is a significant increase and it is a tangible sign of doing better.

Now I really want, once and for all, to clarify the process. I don't review the budget of the Provincial Auditor. That would be a total conflict of interest, when the auditor is auditing the departments of government, for the Department of Finance to review the budget of the auditor. It's the Board of Internal Economy that does that.

We have said that the auditor is guaranteed 3.8

million. We have said that that is a significant increase over what has historically been given in the recent past. But we have said that it's up to the board to look through his plan and to see whether or not there is any reason for an extension of funds. And that's the way the process has to work. That is not a function of the Department of Finance or the Minister of Finance. It is a function of the Board of Internal Economy, and we are going to respect the integrity of that process.

Mr. Neudorf: — Oh I wish I could believe you, Madam Minister, because we all know — and I'm looking at one of them now — we all know that that's not how this place works.

You, Madam Minister, with direction from the Premier, control the purse strings. That's as simple as it is. You and two members on the Board of Internal Economy sit on treasury benches. Then you send those two cabinet ministers to the Board of Internal Economy with a couple of back-benchers, and here I and another member from our caucus sit out-voted 5 to 2 on any issues that are raised.

Now you mean to tell me that those members are the ones that determine whether the auditor is going to get a million dollars more or not, without any interference from you? Come on, Madam Minister, let's be realistic. And I agree then, all right, you've given him 25 per cent, but he is telling us he needs more.

Now you are so fond, Madam Minister, of saying that the auditor was getting 25 per cent more this year than he was when you took over. If my colleague could just give me that book that he's got in hands here, and he's got the wrong page, but I think I can remember the figures. The figures that I want to say is that the amount of money for the Provincial Auditor has risen over the last two years now by 25 per cent.

But do you know what else has risen, Madam Minister, just so that we keep this thing in perspective. The very next item in that book, after the Provincial Auditor is what? Well guess what? Provincial Secretary — Provincial Secretary — the deputy minister's budget. And what has happened to the deputy minister's budget since that time, during that time? We find out, when I look at the figures — and I just happen to have them here now — the Provincial Secretary is 6.835 millions of dollars for this coming year. Last year it was 5.9. Well now, is that where the \$900,000 has gone that the auditor is asking for? You've given that \$900,000 to the Deputy Premier, the man in charge of the next federal NDP election campaign in Saskatchewan. That's where you've put the money. But you won't give it to the Provincial Auditor. That's the irony of the situation, Madam Minister.

So don't get up and try to tell the people of Saskatchewan what a wonderful job you have done by increasing the Provincial Auditor's appropriation by 25 per cent, while in the same breath the next line shows that you've given your political cronies more impact so that the federal NDP may do a little bit better in Saskatchewan. That's the irony of the

situation, Madam Minister.

Now, Madam Minister, the auditor has told us that, not only is he incapable because of lack of funding of accomplishing the objectives of The Provincial Auditor Act; it's going to get worse. Do you know why, Madam Minister? He is telling us right now that there are three health boards, your newly established health boards, that are causing him concern, and he's got to audit them.

By all accounts the Minister of Health, I don't think this afternoon I was able to dissuade her from embarking and continuing on her headlong mad rush to establish 29 boards by August 17, either by the local folks or unilaterally decreeing: this is it; you've got your health board. And you know what else, Madam Minister, that concerns us on this side? I was able to elicit from the Minister of Health on Friday that yes indeed, the provincial Health budget is \$1.5 billion, give or take — \$1.5 billion. And she conceded after some strenuous questioning that yes, the health boards in this province were going to get \$1 billion — \$1 billion that the health boards would be spending. Right now, Madam Minister, there does not seem to be the mechanism in place to hold these health boards accountable.

Do you know what the Minister of Health told me? She said, oh but those boards are going to be audited if they want to be. That's what she said. She said, if those health boards want to be audited, they can ask the Provincial Auditor to audit them. Now to be fair to her, she recognizes that there are going to be private auditors involved in those health boards, but if they want to be, the Provincial Auditor . . . And she further said, but don't ask me any detailed questions about them; I don't know. We're just giving them a billion dollars and my goodness, you're going to go have to ask each of those individual health boards: what did you do with the taxpayers' money?

Am I overdramatizing? Perhaps a wee bit. I don't know. But if I am, I'd like you to get up now and tell me.

(1945)

Hon. Ms. MacKinnon: — Mr. Chairman, I would like to begin first of all by clarifying something. The members opposite refer again and again to the budget of the Provincial Secretary. And really this is very misleading information and I would like to read into the record the facts about what occurred there. In the reorganization of the government, certain departments were eliminated, downsized, had their functions changed to streamline government, to make it more effective, and make it more affordable.

One of the changes that occurred was that parts of other departments were moved from those departments to the Provincial Secretary, and there are a significant number of departments involved, and I would like to read into the record exactly what those departments were. Parts of the Department of Community Services was moved into the Provincial

Secretary's department. Parts of the Department of Justice were moved into the Provincial Secretary's department. Parts of Saskatchewan Property Management Corporation functions were moved into the Provincial Secretary's office. Parts of the Executive Council function was moved into the Provincial Secretary's office.

So of course the overall funding for the Provincial Secretary increased but it was not because there was an increase in government spending. It was because in order to consolidate the government and make it more effective and affordable, parts of these departments were moved into the Provincial Secretary's. So it is a different department than it was last year, and the members opposite are comparing apples and oranges when they're trying to compare the budgets.

With respect to the auditor and the health boards, it is simply not clear that the auditor will be the individual auditing the health boards. Yes, the health boards will be audited, but there is no decision made as to how that auditing will occur. So for the auditor to be saying that he requires the funds for the health boards, when the decision as to who will be doing the auditing hasn't been made, is premature.

But again I go back to my main point with respect to the auditor. This is not the forum under which we decide the budget of the auditor. It is the Board of Internal Economy that makes that decision.

The members opposite should have some respect for that process because it was the members opposite when they were in government that first proposed that process, that is that the Board of Internal Economy decide the auditor's salary and budget. We are now respecting the integrity of that process and this is not the forum in which we decide that budget.

Mr. Neudorf: — Quite frankly, Madam Minister, that's exactly why I know what's going on. We were involved in that type of process. But we never said that we would change it. We have been working with that process. You're the ones that said, elect us and things will change.

Well the people are expecting things to change and you've just committed yourself to a status quo on that issue. And you've admitted through your answer that you are the one actually pulling the strings on the members of the Board of Internal Economy and that they are following your direction.

Madam Minister, one other thing that is in contradiction to my interpretation of the auditor's statements is this. When these health boards are elected, is there not a requirement that as long as some of those individuals on those health boards are appointed by the Executive Council that it is the mandate and the responsibility of the auditor to audit those books?

Hon. Ms. MacKinnon: — Again let me clarify the point the member opposite made because again it was

not correct. Your suggestion was that this was long-standing practice of the previous administration to separate the functions of the Provincial Auditor and the budget of the Provincial Auditor, that is to make the Board of Internal Economy a separate body responsible for the budget.

Your intimation was that your administration had had that as long-standing practice. Indeed nothing could be further from the truth. After having been in power nearly nine years and allowing the process to not function in that way, finally in your last year you proposed to clean it up by making the board responsible for the auditor's salary. But it was in that ill-fated session that never was completed and the change was never put into effect.

Because it was one of the conversions on the route to Damascus that the members opposite experienced in the dying days of their administration and it was a good idea, yes, we picked it up and we've continued on in the spirit of that change.

Again with respect to the Provincial Auditor and the health boards, I think what you need to get into when the Department of Health is here or when you have an opportunity to ask in question period about the Department of Health, is the issue as to the composition of those boards in the future.

As I say, that decision has not yet been made and this is not the forum in which we are going to decide who is going to audit the health boards.

Mr. Neudorf: — Madam Minister, my question was a very simple question. As long as those health boards have members appointed and elected — as long as there are appointed members there — is it not the responsibility of the auditor to audit those books?

Hon. Ms. MacKinnon: — Mr. Chairman, as I say, the decision hasn't been made and this is not the forum in which we are about to make that decision. It has simply not been broached. The health boards will be audited. I'm sure there is a possibility that it could be the Provincial Auditor, but that decision has yet to be made.

Mr. Neudorf: — Madam Minister, it's in the Act. That's all I'm trying to get you to admit. It's not a matter of whether or not they're going to be appointed or all elected. I'm saying as long as the boards are appointed and elected, as long as there are appointments made by Executive Council, then you're going to have to have the Provincial Auditor auditing those books. Now that's my interpretation of what the auditor has told us. And would you confirm or deny that.

Hon. Ms. MacKinnon: — Mr. Chairman, we will check into it. Again, the government is committed to conforming with the Act. But this is not the forum in which we go through the Act and try to apply the Act to issues like the health boards. All that I'm saying is that decision has yet to be made. If in fact the Act specifies that, that will occur.

But what I keep saying is, we have a process in place whereby the budget for the auditor is decided, and it's decided in the Board of Internal Economy, and the government is committed to respecting that process and to respecting the Act.

Mr. Neudorf: — Well, Madam Minister, Mr. Chairman, now I'm totally shocked. When the Minister of Health and her officials couldn't answer that question that I was asking them, I kind of said, well okay, maybe that's not their expertise. I mean, they're just busy spending one and one-half billion dollars of taxpayers' money but they're really not too concerned about what the accounting procedures are.

But now I'm asking the Minister of Finance of the province of Saskatchewan what mechanism is in place to ensure proper accounting procedures for one and one-half billion dollars of expenditures. And you say, I'm not quite sure. Is that your position, Madam Minister, or have you got something now to clarify that in talking with your officials?

Hon. Ms. MacKinnon: — Mr. Chairman, let me be specific. The auditor, yes, will have oversight of the whole budget. But there is still a possibility — and again, this decision has not been made so I don't want to suggest that it has — that private auditors could do the district boards, for example. So it is not a clear situation, and it's obviously not clear because the boards are yet to be up and running. That's an issue that will be confronted in '93 . . . in '94 because all of the district boards will be functioning and will be funded on a district basis.

Mr. Neudorf: — No, no, no, Madam Minister. You're not following here what the responsibilities of the auditor is, or are. You say it's not quite clear yet whether it's going to be private auditors that do the auditing or whether it's going to be Provincial Auditor.

Madam Minister, even if you decide to break the law, to break the law by not having the Provincial Auditor directly auditing those books because he said that's his mandate, under the circumstances, the way the boards are intended to be set up, even if the private auditors will do the auditing of that one and a half billions of dollars — well, one billion if it's that amount that goes through the district health boards — even if the private auditors are doing that, it's still incumbent upon the auditor to give his okay that those private auditors have done a reasonable job because he has to be able to rely on the work of the private auditors.

And in order to do that, he doesn't go through everything that those private auditors have done, but he does take a sample of their work to assure him that, yes, indeed, they have done a credible job and that he can endorse their work. So even at that stage the auditor has to get involved because that's his mandate and that's his responsibility, Madam Minister. That's what I'm trying to get through to you.

Hon. Ms. MacKinnon: — Mr. Chairman, maybe if I

could use a specific example. Let's look at a Crown corporation like SaskPower. The auditor is ultimately responsible for the oversight of SaskPower, but unless there is some particular reason for concern, he's not intimately involved in the audit because there's a private sector auditor there. So he just does a quick overview, and if there's a problem then he goes into it in more detail and requires more funding. But the majority of the funding goes to the private sector auditor because the private sector auditor does the thorough audit.

Now I'm not suggesting that this is necessarily the route that the health boards are going to go, but it is an option. And I think that the other main point is that this is an issue that will become a pressing issue, not this year, but in 1994 when the boards are up and running and are being funded as district boards. Then this issue will have to have been decided.

Mr. Neudorf: — Madam Minister, they are currently, as we speak, they are already spending taxpayers' money. After October 17, they'll all be up and running. And the fiscal year goes until the end of March, Madam Minister. So it's not good enough for you to get up now and say, well in due course we'll have something figured out. That's my concern here.

But I want to take this a step further now, Madam Minister. Do you know what? The auditor had a solution, a very, very, easy, good, sensible solution to the dilemma that we're finding ourselves in, Madam Minister. He simply said this: the appropriation for my department, and I use that word in quotation marks, is going to be 3.815 millions of dollars. That's not enough for me to be able to do the Crowns and the agencies and the Liquor Board and a few entities such as that. It's not going to be enough.

But you know, Madam Minister, what the auditor has been doing over the past time. He figures out and says, all right, to do this particular agency is going to cost, for an example, \$300,000. So when I go to the Liquor Board and I do the Liquor Board, you, Madam Minister, or the Board of Internal Economy through you, has short-changed the auditor so he doesn't have the funds for that. So what does the auditor do? He bills the Liquor Board and says, this is my fee. This is how much it's costing my department to audit the Liquor Board. So Liquor Board hears the fee of \$300,000, pay me. And that's what's been happening and it works. It works. A direct billing for his actual expenses and then he can perform his duties.

Now, Madam Minister, you have written to the Board of Internal Economy and you have said in your letter two things: basically, Mr. Auditor, you can't and you can't. You can and you can't, pardon me. Yes, you have the right. Your legal opinion says, yes, Mr. Auditor, you have the right to charge those fees but no, you don't have the right to keep those fees to offset your expenses. Now, Madam Minister, that's your legal opinion because you're telling him that the money that you collect, although you have the right to collect that money, that money has to come back into the consolidated account if it's not charged against

your department, or not put in as a credit to your department.

So when the auditor does that type of billing, what is he doing? He's actually increasing your slush fund, that's all he's doing. The money that he's charging that should go credited to his department goes into the Consolidated Fund and who knows what you're going to be using it for?

Now, Madam Minister, in that letter that's exactly what you are telling the Board of Internal Economy. The auditor may be able to collect money but he can't keep it. That's your auditor or your opinion from the Department of Justice. Is that correct, Madam Minister? I'd like you to either confirm, deny, or add or subtract from what I've said.

Hon. Ms. MacKinnon: — Mr. Chairman, yes, I would be pleased to answer that question. As I said, the commitment of this government with respect to the auditor is twofold. We said adequate funding — I'll deal with that second; we also said compliance with the Act and the legislation. The auditor proposed to charge for some work to be done and to retain the fees for those services.

What the department did was ask Justice, the Department of Justice: is this legal, is it in conformity with the Act? And the answer from the Department of Justice — which has been sent to the Chair of the Board of Internal Economy — is no, it is not legal to charge a fee and to keep a fee. And it's quite consistent with what the auditor has been saying throughout himself.

(2000)

That is, all transactions of government have to pass through the Consolidated Fund, so that if in fact money is coming to an agency of government, it goes through the Consolidated Fund before it is assigned to another purpose. So it is the Department of Justice which said to the government, and to me, and then to the Board of Internal Economy, that no, this is not consistent with the Act.

Again with respect to funding, our commitment when we were in opposition was to ensure that there is adequate funding. I would repeat, from 1990-91 till '93-94, there has been a 25 per cent increase in the auditor's budget, which is way out of line with what has occurred in other parts of government where there has been more than a 7 per cent reduction. We have said that this is reasonable. But we've also said that there is an independent process to check and ensure that that is reasonable, and that is the Board of Internal Economy, and we will respect the independence of that process.

Mr. Neudorf: — Madam Minister, it's becoming quite apparent to us that when it suits your cause you hide behind the Act, and when it suits your cause, you attack the Act. You can't have it both ways, Madam Minister, and that's precisely what you're trying to do.

You sent a letter, Madam Minister, to the Board of Internal Economy, dated March 16, '93, in which you indicate your legal opinion that you had received from the Department of Justice. And I think we've addressed that sufficiently enough so that we all know what we're talking about. But I really take exception to the latter part of your letter, where you try to justify and rationalize by keeping the auditor short-changed as far as his ability would be to collect fees to offset his expenses and then to retain those fees, and this is some of the rationale that you're saying. And then you say the reasons for this are as follows: agencies and departments charged for their services would have to increase their budget to accommodate additional costs.

Well what's wrong with that? What's wrong with that if some of the earnings of the department, for the Liquor Board, for example, would be used to offset the cost of the auditor fee? I see nothing wrong with that.

Then you say that the costs of the services are simply shifted from the auditor to agencies and departments. Rightfully so. It's the agents and the departments that are doing the transactions, the financial transactions. They're the ones that are receiving the appropriation from this legislature, and they're the ones that are disbursing the funds, sometimes for a profit, sometimes as a non-profit agency, but regardless, they are the agency that should be budgeting internally for that type of accounting procedure.

Then you say that the fees charged by the auditor could reflect inefficiencies which can be passed on to the agencies who have no opportunity to seek services other than through the auditor. I've tried to figure that one out, and I'm having a little bit of trouble following your rationale along that twisted route.

But this one really bothers me. I guess this is what you call turf protection. You say the auditor would be able to determine the size of his operation. This could significantly expand his operation without the approval of the legislature. The auditor would be able to determine the size of his operation.

Madam Minister, that's precisely what it is intended for him to do. He has to be able to determine the resources that he needs to fulfil the mandate that he is required to achieve under The Provincial Auditor Act. Who is in a better position than the auditor to know what his resources have to be? And so of course he's going to charge fees to cover his expenses. That's the natural process.

Now, Madam Minister, and I will be tabling this document, but you talk about a legal opinion, and I guess any time you get two lawyers in the room, you'll wind up with three legal opinions. I have a legal opinion in my hand right now. Yours comes from the Department of Justice. Mine comes from the office of the Legislative Counsel and Law Clerk; the Law Clerk of this Assembly, legal counsel, professional in his field. His view, Madam Minister, is diametrically opposed to yours.

Now having said that, let me backtrack and say first of all that he agrees with the Department of Justice's opinion that yes indeed the auditor does have the right to charge a fee to cover his expenses in the operation. So both of our counsels, both of our legal counsels concur in that assessment.

However, diametrically opposed is the position of these two offices when it comes on the second issue of what happens to that money that the auditor charges. You would have us believe that it's got to go into the slush fund so that you can do with it what you want. You want it to go into the Consolidated Fund.

Well, Madam Minister, I have here from the Legislative Counsel and Law Clerk the legal opinion. Further, he says — in addition to agreeing that the auditor, number one, does have the right to collect those fees — Further, I am of the opinion that the Office of the Provincial Auditor may retain the fees collected in this regard.

Now you are not a lawyer, I am not a lawyer. I'm not going to go into some of the machinations that he goes through as he discusses The Financial Administration Act, The Provincial Auditor Act, and goes into particularly section 25 of The Financial Administration Act. I will read the concluding paragraph, Madam Minister, and you can look at this at your leisure.

But his concluding paragraph is:

In summary then I am firmly of the opinion that section 28 of The Provincial Auditor Act authorizes the Provincial Auditor to charge any and all Crown entities upon which he performs an audit a reasonable fee for such audit; and that section 25 of The Financial Administration Act does not operate to capture such fees to the benefit of the Consolidated Fund.

Madam Minister, unquote.

That is the legal opinion that this Legislative Assembly has received from its Law Clerk, where he says that yes indeed the auditor can recapture his costs for doing the audit and that the Consolidated Fund does not receive that money.

Now, Madam Minister, if you were to do that, if you were to concur with that, then your cronies in the Board of Internal Economy wouldn't have to vote \$4.815 million — 4.7 since he doesn't need that hundred thousand. But that indeed the auditor would still be able to operate effectively, efficiently, and fulfil his mandate if you were to agree and stop being an impediment to this officer of the Legislative Assembly to be able to do his job fully. Would you agree to that, Madam Minister?

Hon. Ms. MacKinnon: — Mr. Chairman, if I could respond to that on three different levels, first of all, with respect to the legal opinion. The legal opinion we obviously take most seriously is the opinion from the Department of Justice. We have a department there to

give the government legal opinions. We asked them a legal opinion; they gave us a legal opinion.

The second point is, the legal opinion is quite consistent with ideas of accountability in government. I think what has to be explained is that every other department of government that is a normal department of government — Health, Agriculture, Highways, etc. — the members of these departments have to come before Treasury Board with detailed outlines of how they're going to spend their money: we're going to spend this amount of money on these different projects, and we're going to spend this other money on these other projects. These budgets have to be scrutinized by officials in the Department of Finance and they have to be scrutinized by Treasury Board members, cabinet ministers. These numbers also then have to go to cabinet and then they're discussed here in the departments' estimates.

So there is an incredible process of scrutiny of the tax dollars being spent and are they being spent well, and there is an opportunity here for the public debate with respect to these.

Now this is quite different with respect to the auditor. The auditor does not appear before Treasury Board; he does not explain to officials or to cabinet ministers or to anyone else how he is spending his money through that process. But nobody gets a blank cheque. Nobody, no matter how important their function is to government, who is spending tax dollars, gets to spend those tax dollars without showing to some independent body: here's how I'm going to spend it. Okay? It's not the Treasury Board, it's not the cabinet, but it is the Board of Internal Economy. And that is their function, and they're performing a Treasury Board-like function: how are you spending your money? So that we can say to the taxpayers of the province, you are spending your money as effectively and as efficiently as possible.

And I'll make one final point. I highly resent my colleagues — and your colleagues too, because your colleagues are on the Board of Internal Economy — being called cronies. These are not sheep. These are independent people who have their own judgements, their own intelligence, and their own views. And it is simply an insult to them to suggest that they are puppets, because they're not.

Mr. Neudorf: — Madam Minister, with due respect to what you just said and the members who I like and respect in many instances, on that board, that is exactly what they are — exactly. That's the bottom line; that's the bottom line. They are doing your bidding. That's where we have this problem, Madam Minister, just so that we understand each other. That's exactly it. Now we've hit the crunch.

And so, Madam Minister, if you would release them from that bind, if you indeed would allow them to do what is good for this province, for this legislature, then that 700 or \$800,000 more would allow the office of the auditor to fulfil without a hassle the job that he has been given. And he would be able to accomplish your

objective, Madam Minister . . . and I can appreciate what you're trying to do. You're talking about the burden of restraint that you're under.

But I'm going to suggest to you that if he had that, it would not be a cost of 7 or \$800,000 to this legislature but would indeed be not counter-productive but in the long run would probably save the Consolidated Fund a large amount of money. That's the points that I've been trying to get across.

Madam Minister, I'm not sure whether you have a copy of the legal opinion that I was referring to before. Your official indicates he does not, so I will ask the page to bring a copy of this over to you, so that you can peruse it and perhaps in the light of morning you may be able to see things our way a little bit better. So thank you, Madam Minister.

Mr. Martens: — Thank you, Mr. Chairman. Madam Minister, on page 77 of the budget address book, there is a line there that talks about financing, servicing the public debt, the government share. And last year you had estimated \$760 million and you came through at 735 million. Is that an accurate figure or is it close to being accurate? Would you know that?

Hon. Ms. MacKinnon: — Mr. Chairman, the final number was 739.9.

Mr. Martens: — Seven thirty-nine. Okay. Would you give me the volume of dollars of debt that that paid the interest on.

Hon. Ms. MacKinnon: — Mr. Chairman, member opposite, on page 83 of the budget address, there is a line called General Revenue Fund. And if you look at the forecast for 1993 the number there is 8.184 billion. So it's 8.1.

Mr. Martens: — So that would roughly be 9 per cent on the average, or 11 per cent . . . 9 per cent. Okay, now the difference between 8.184 billion and 8.591 billion is roughly \$400 million. And yet, Madam Minister, if you turn back to page 77, you have \$112 million extra interest cost for that additional \$400 million.

(2015)

What we would like to know is what the 112 additional service requirements are in relation to the overall debt when what goes up \$400 million. And if I took a 9 per cent average, it would be \$36 million that I should increase the overall debt for, if I was assuming that all of it was at the average rate. Now there has to be something substantially different than that in order to make the \$112 million additional interest costs.

Hon. Ms. MacKinnon: — Mr. Chairman, the general answer is, the change is because of the move to accrual accounting. But there is a detailed explanation on pages 54 to 55 if the member would like to read the detailed explanation. I can read it into the record or he can read it himself.

Mr. Martens: — So it's because of accrual accounting for this year. Now could you give me what the value of the interest would have been if you hadn't had accrual accounting in 1992-93, in the amount of dollars in the — I'll get the number for you — in the 8.184 billion, is that accrual accounting? Where you established that \$739 million was the volume of dollars that it took to service that debt.

Hon. Ms. MacKinnon: — Mr. Chairman, let me answer that question in this way because there is a comparison there in the explanation. What we said is that it's not realistic to compare the 735 for '92-93 with the 847 for '93-94 because the 735 is the cash basis of the accounting, 847 is the accrual. However, if you want a comparison, if you want to try to figure a way to level that issue so that you're not comparing apples and oranges, but you're comparing apples and apples, the commentary does that for you.

And what it says is, had you done '92-93 on an accrual basis, the interest would have been \$41.6 million higher, so it would have been in the neighbourhood of 776 instead of 735.

Mr. Martens: — Okay, so then really the difference in the interest is still 69 million or \$70 million. Is that right?

Hon. Ms. MacKinnon: — Mr. Chairman, yes, that's correct.

Mr. Martens: — Okay, that means that I still need to have \$28 million. And you talk about \$28 million there and it's amortizing commissions. Amortizing commissions on what?

Hon. Ms. MacKinnon: — Mr. Chairman, again there is a difference in the process with respect to accrual and cash accounting.

Under cash accounting, if the province incurs a debt for say a 30-year debt, — there's a bond for 30 years — under the cash system, the commissions that are paid to underwriters are all accounted for in that one year. When you move to the accrual system, if in fact it's a 30-year bond, rather than the cost being incurred in that one year, they're amortized over the 30-year life of the bond.

Mr. Martens: — Well this is where accruing accounting and cash accounting mix and mesh. Amortizing, in my logic, would have that you have the volume of dollars accruing as a commission to start the 30 . . . If you're dealing with \$700 million additional money or whatever the volume of dollars was, that amortizing those commissions, if I was to take this on an average of a 10- or a 15-year bond, that would be 28 . . . on accrual accounting basis, that would be \$28 million dollars every year for 30 years, to use your example, or 15 years, to use another example, or 10 years, whatever the volume of dollars there were to deal with.

Hon. Ms. MacKinnon: — Mr. Chairman, perhaps we can clarify this by moving to the *Estimates*, page 62,

and what you'll see there is debt servicing, sub-programs, fees and commissions, authorized by law. You'll see for '92-93, the estimate there is 7 million, the estimate for '93-94 is only 1.5 million, which reflects the change and the decline in the amount being booked.

Mr. Martens: — Okay. Now we've got another batch of numbers here to legitimize, I would say. So servicing the public debt went from \$7 million down to one and a half million dollars on the fees and the commissions. And the foreign currency adjustments, I think we went through that one other time, but I still am not sure why you would have that \$28 million floating around. Is that the total volume of dollars that you expect to pay over the life of the loan, or is that the annual incremental cost to deal with providing the debt costs for acquiring the debt?

Hon. Ms. MacKinnon: — Mr. Chairman, I'm not clear on what the member's saying because to me that footnote that he's talking about, the 28 million, is adequately explained and I'll just read it:

Under the accrual method of accounting, commissions paid in respect of new debt issues are expensed or amortized over the life of the respective issues regardless of when they are paid. Under the modified cash basis of accounting commissions are expensed in the year that they are paid. In 1992-93, the Province is forecast to have paid \$29.1 million in commissions on debt issued during that year. Accruing these commissions would result in the Province expensing \$1.1 million of this amount in 1992-93 and the remaining \$28.0 million in future years.

So what we're saying is that is amortized over the life of the debt.

Mr. Martens: — Okay, so then I go back to my assessment here that you have \$112 million, and we reduced that to 69 or \$70 million because of accrual accounting, so you got \$70 million left — \$40 million or \$36 million is roughly the cost of that money, and it would be less than that because you went out and you got the money, some of the money from the Saskatchewan public for a little over 7 last year. So you're going in at 7 times 400 million additional funds is 28 million. So you've got more spread yet.

And my question to you is where did the money go that is in between there? And then you say that the 28 million is accruing, these commissions would result in the province expensing in '92-93, 1.1 million, which takes it from the 29.1 down to 28. You still have 28 million that you plugged in there, and I don't get those numbers to add up.

Now I think what I'm asking here is an explanation for this. And what we got from asking our accountants who we talked to, is they had a whole lot of difficulty in gaining access to the information that was provided in the detail that you provided to me here. And that's why we're asking the questions, because other

accountants are saying, we're not sure where you got the money from.

So I would say that 112 million, I'll give you the accrual accounting down to \$70 million. I'll give you \$30 million roughly for the additional increase in the volume of dollars in the budget. If you had to take some additional monies and market some treasury bills or whatever, and buy new ones, you still come up with an average of 9 per cent at \$36 million. You're almost \$35 million difference there.

Then you take the \$28 million off because you attach all of the accrual accounting cost to the one year, which you shouldn't have done, in my view. So you should have \$28 million, and \$1.1 million a year in accrual accounting for that additional 400 million. That's the way I would say it should add up and I'd like to have you explain that to the Assembly on what it should be.

Hon. Ms. MacKinnon: — Again if I could refer the member opposite to the commentary on page 55. I think there is an explanation there and if he would like, I can expand on that explanation. We go through the cost in the second paragraph of page 55. We go through the fact that approximately 19.4 million of this is an increase in the financing of the '93-94 deficit, which we have accounted for, an increase in the borrowing requirements of the General Revenue Fund, which we have accounted for, and talked about.

(2030)

But what's added is the remaining 51.5 million, is the cost of financing for a full year in '93-94 and '92-93 forecast deficit and other '92-93 forecast borrowing requirements of the General Revenue Fund. For example, we wrote off Crown debts last year but we did not have to write off the full year, we only wrote off part of the year. Now this year we're having to write off the full year on those sorts of debts, so that accounts for the difference.

Mr. Martens: — Can you give me those items that you wrote off in those ... with a detail of which ones you did in this assessment that you just explained?

Hon. Ms. MacKinnon: — Mr. Chairman, yes we can provide him with that information. But just briefly, last year 875 million in Crown debt was transferred to the Consolidated Fund. Last year we only covered three-quarters of the year for that debt; this year we're having to cover the full year. But we will give him a list of what was transferred.

Mr. Martens: — I appreciate that. I want to change the subject a little bit to the news today as it relates to the GDP (gross domestic product). Was it correct — I was in here most of the day and I didn't hear — was it correct that the GDP of Canada was at .5 per cent-plus?

Hon. Ms. MacKinnon: — The statistics that we have is for March, .7 per cent, which was ... that was

announced at the Finance ministers' meeting which would, on an annualized basis, turn out to be 3.9 per cent. And I know what was significant about that statistic is it was by far the best in the G-7 countries and it was consistent with the projections that Canada, of all the G-7 countries, is to experience the highest rate of growth next year.

Mr. Martens: — That's calculated .7 times 4?

Hon. Ms. MacKinnon: — The 3.9 would be the annualized estimate. The .7 was just with respect to that one time period. But what I think is significant and what the Finance ministers greeted with enthusiasm was the idea that the growth projection was very high by G-7 standards and very high in terms of estimates that existed. And they're still projecting something around 3.9 on an annualized basis.

Mr. Martens: — What portion of the GDP does Saskatchewan have in relation to Canada?

Hon. Ms. MacKinnon: — In the neighbourhood of 3 per cent.

Mr. Martens: — Was it also stated today that Saskatchewan's was at minus 3.5?

Hon. Ms. MacKinnon: — Mr. Chairman, I think as the member quotes these statistics, he is not talking about the same thing I'm talking about. You are probably referring to a Statistics Canada report which did not refer to this year, but in fact referred to last year. So we are not talking about GDP for 1993, we're talking ... that number that you're talking about I believe was a 1992 statistic.

Mr. Martens: — Well we'll find that out later tomorrow and we'll find out what exactly they are. Can you provide me ... I visit with a lot of people and I get a sense that there's a reduction in the volume of sales. Have you done any tracking so far from March 31 or April 1, have you got any tracking that deals with where we're going in the last two months?

Are we going up? And if you have that in various sectors like automobiles, retail hardware or goods and services or any of those kinds of items, can you give me an overview of how that is being accomplished or what's happening in those areas?

Hon. Ms. MacKinnon: — Mr. Chairman, in response to that question, it's Statistics Canada that keeps track of those figures. So what we have is we have the first three months of this year as Saskatchewan sales for January over January, were increased by 4.4 per cent, '93 over '92 for January; for February, Saskatchewan sales increased 5.3 per cent over February; and for March, Saskatchewan sales increased 3.1 per cent. And what would be very interesting about the March figures is sales in Saskatchewan increased by 3.1 per cent. With all the talk the members opposite do about cross-border shopping, Alberta sales declined by .3 per cent in that time period.

Ms. Haverstock: — Thank you very much, Mr.

Chairman. Madam Minister, and officials, good evening. I have some few but very specific questions. Why is the Department of Finance the only department which has an item which is entitled "unforeseen and unprovided for" in its budget? This item was \$660,000 in the '91-92 fiscal year and it's now at \$50,000. And I'm just wondering if you would explain that to me, please.

Hon. Ms. MacKinnon: — Mr. Chairman, Madam Member, if I could give you a simple answer. These monies are monies involved in court judgements where the government, in response to some issue, like a pension issue, is required to refund money to a claimant or some other issue that has gone through the courts. The reason that specific detail is not provided is because all the names are here. So it's the kind of information that has to be kept confidential because it has individuals' names and the circumstances under which the government was required to, say, refund the money or to pay out money to an individual.

Ms. Haverstock: — Thank you, Madam Minister. I was actually somewhat confused by it. I really didn't know what this particular item was for. If in fact there's a way of sharing that information with the deletion of the names, I would be most interested in knowing how the monies are spent. Is that possible?

Hon. Ms. MacKinnon: — Mr. Chairman, there's no problem in doing that. What we will do is just take out the obviously identifying information and provide you with a list of the items that are involved.

Ms. Haverstock: — Thank you very much. I have a question regarding pensions. I've noted that there's an increase in the MLA (Member of the Legislative Assembly) pension plan of \$86,000, an increase in judges' pension plan of \$289,000 — which is some 40 per cent increase — but a reduction in the municipal employee superannuation plan. And I'm wondering if you would expound on that, please.

Hon. Ms. MacKinnon: — Madam Member, if I could explain the differences. First of all, in the budget address we announced a 1 per cent increase to superannuates, people who'd been employees of the government and who had had their pensions frozen for a period of time, a significant period of time. And many of these people had been retired for some period of time and had fixed pensions and there was a hardship. So that explains the increase there.

With respect to the municipal pension plan, that was a fixed commitment whereby the government guaranteed the pensions of a group of people. And, quite frankly, because the pool of people is not being increased — it's a frozen commitment — as those people age and retire and pass away, the level of commitment from the government because of that guarantee will decline.

Ms. Haverstock: — Thank you. Why have early retirement and cost of living allowances gone from \$59,000 in the 1991-92 budget to \$1.026 million in 1993?

Hon. Ms. MacKinnon: — Mr. Chairman, the simple answer to that is basically downsizing of government. As we downsize, different employees have different rights so some would have rights to early retirement packages.

And also we have tried as a government to be as compassionate as possible in downsizing and so if there was any possibility that an employee should be eligible for early retirement . . . There's a formula in place which is quite a demanding formula in that you have to have a combination of a certain number of years of service and a certain age, then you would be eligible for early retirement. The number has increased because we are downsizing government.

(2045)

Ms. Haverstock: — Thank you, Madam Minister. So how many people are we talking about here, that make up this 1.026 million in 1993?

Hon. Ms. MacKinnon: — Madam Member, if I could give you an answer it's that we budgeted 1.2 in the expectation that that would be the uptake. But to date 70 members have participated. But we're not clear until we get to the end of the year how many other people will participate, because there has to be a combination of circumstances, has to be somebody whose position is going to be abolished and it has to be somebody who fits the criteria, that is a certain lengthy period of service plus a certain age.

So the budgeted number was based on an estimate of how many people: (a) would qualify; and of those who would qualify, how many would actually take advantage of the opportunity to have early retirement. To date it's 70, but we do not have an accurate estimate because we'll have to wait till the end of the year to know exactly what the number will be.

Ms. Haverstock: — Thank you. I take from that then that what you're saying is you anticipate that there will be a greater number than 70 by year's end. Thank you.

This is a workmen's compensation question. Why is the cost of workers' compensation increased by 8 per cent? I'm just curious, are there more employees or is that the new cost of premiums?

Hon. Ms. MacKinnon: — Madam Member, I would suggest there are three explanations: one is the number of people involved. Our experience . . . or to use another word, the record as you look over the past and you try to estimate what the statistics have been in the past in terms of potential claims, then you adjust your estimates in future years on the basis of past experience. And the legislation being introduced will result in an increase in fees which will have to be paid by us as well.

Ms. Haverstock: — Thank you. I appreciate you taking these very different and specific questions, but these are the ones that I had most interest in. They just really quite surprised me and I couldn't figure out the

logical answer to them.

I have a couple of questions — well one in particular — regarding the Saskatchewan Pension Plan, under item 8. I'm wondering how many people actually withdrew from the plan. And in your discussions, please, with your officials, I want to know what the cost was of administering the wind-down, after the \$10 withdrawal fee was accounted for.

Hon. Ms. MacKinnon: — Madam Member, if I could give you an estimate on the cost. We budgeted 700,000 for the wind-down. Our rough estimate is that it came in about 730,000 but we can check the accuracy of that. But the budget was 700,000. It was very close to the budget and our rough estimate is that it was 730,000. With respect to the withdrawal, 45 per cent of the members withdrew, so it means that 55 per cent remained in the plan for the long term.

Ms. Haverstock: — Thank you very much. Madam Minister, I have one final question. The Finance department seems to be the one department which has substantially reduced its operating budget, its expenditures. And the department seems to have made noticeable reductions in the operating expenses, except for administration. It's been able to reduce its salaries as well. I think that's highly commendable. But I am rather curious and concerned about the fact that while this was happening the department was unable, after starting in the right direction, to produce an overall net reduction in the spending for the department. And I'm wondering if you could give some explanation for that. Because if it isn't even possible for the Department of Finance to set an example and come in spending less money than it did in '91-92, then I think it would be very difficult for other departments to do so as well.

Hon. Ms. MacKinnon: — Madam Member, actually I'm very pleased to answer that question because I do think it is important that the Department of Finance is a model of restraint. And I think actually if we go through the numbers, it will become apparent that the department is a model for restraint.

On page 59 of the *Estimates*, you'll notice that there's an increase in pension costs. This is something that the Department of Finance and the government has no control over in the sense that they're automatically built in. The increase there is 3 million. So there's an increase in pension costs too that have to go onto the department's budget of 3 million. The department cannot make any reductions internally to control that amount.

The other thing that has increased is because of the move to accrual accounting. On page 58 we are now required to put into our budget an amount for doubtful accounts. So we have been forced to add \$2.3 million to our budget for doubtful accounts, and there was no number in '92-93 for doubtful accounts.

So if you put in . . . if you add up the fact that we had to add to the budget \$2.3 million for doubtful accounts, that we had an increase in the pension costs to

different pensions throughout government of 3 million, our costs that we had no control over had increased by 5.3 million, and in fact our budget had increased only by just about 2 million. So what we have saved the government, our net reductions are still \$2.5 million.

So I welcome that question because it gave us an opportunity to explain some of these other factors.

Mr. Swenson: — Thank you, Mr. Chairman. Madam Minister, I want to have a short discussion about the upgrader and your role in some of what has transpired there. And your department is involved in I believe some of the financing that is obtained. I wonder, Madam Minister, if you could tell me the period of time that you sat on the board of the Saskatoon Co-op Association.

Hon. Ms. MacKinnon: — I'm interested in the relevance of this. As I recall it was probably 1986 to 1990.

Mr. Swenson: — Thank you, Madam Minister. Madam Minister, it appears that when one reads all of the various articles and parts that have been going around about this particular negotiation, that your government has perhaps been involved in an agenda other than a financial one.

I wonder, Madam Minister, if you could tell me what portion of the upgrader's debt is, I understand, up for voluntary renegotiation in December of 1994, and what classifications of debt that is.

Hon. Ms. MacKinnon: — Mr. Chairman, this is really a Crown Investments Corporation question, but we will look and see if we can give you any assistance. But I certainly welcome this opportunity to respond to my role with respect to Federated Co-ops. As my colleague has pointed out, I was president of the Saskatoon Co-op from 1986 to 1990.

But there are two points of misinformation out in the public, the press, and the members opposite have alluded to it. And I would really welcome this opportunity to clarify the situation. First of all, with respect to Mr. Don Ching and I, we never sat on the Saskatoon Co-op board together. Mr. Don Ching was not even on the Saskatoon Co-op board when we had our initial agreement signed with Federated.

But with respect to the relationship with Federated, in the initial stages when Federated first came into our board and presented us unilaterally with an agreement, we took objection to the process. But as you will find in the newspapers . . . and I will get the member opposite a copy of this newspaper article because it would clarify very nicely the situation.

When I was appointed associate Finance minister last year, in 1992, an article was run in the *Star-Phoenix*. The author of the article was Paul Martin, the business editor, and it was a very complimentary article to the effect that I have a lot of experience dealing with difficult situations and I was a person who had good

judgement in these situations.

Now what's interesting about that article is who was being quoted in making these favourable comments about my abilities and integrity. It was Federated Co-ops; it was the regional manager for Federated Co-ops who had worked with me and the rest of the board over a period of time.

So the question would not have arisen except the member opposite asked for my involvement in the board. I think it's important to understand that by the time that relationship ended because my term as president ended, the relationship between Federated Co-ops was a very positive relationship, and there is a record in which a high-ranking official of Federated Co-ops was willing to say that to the press when I was appointed associate Finance minister. And I will ensure that you get a copy of that newspaper article tomorrow.

Mr. Swenson: — Obviously, Mr. Chairman, the minister has a touchy spot here. I simply asked a question and I got a very, very long answer. And I'm glad she puts so much stock in Mr. Paul Martin because I will be asking some questions related to things that Mr. Martin has mentioned in his newspaper, and I hope Mr. Martin has as much credibility in her other answers.

Madam Minister, the financing for the upgrader — and you can correct me if I'm wrong — does have a significant portion of its debt up for voluntary review in December 1991 . . . I believe it's December 31, in fact, of '94.

Madam Minister, would it be the responsibility of your department to go out and if necessary, if that review demands further implementation or borrowings, would your department go borrow that money?

(2100)

Hon. Ms. MacKinnon: — At present it's Crown Investments Corporation that is the lead agency for the upgrader project. So the details of what would be required and the formal request for more money to be borrowed would come through Crown Investments Corporation.

Mr. Swenson: — But ultimately it would be your responsibility to go out and borrow the money. Is that correct?

Hon. Ms. MacKinnon: — Well, Mr. Chairman, we just respond . . . all that we do is centralize the monitoring of the borrowing. But if the money had to be borrowed, it would be Crown Investments Corporation that would make that decision.

Mr. Swenson: — Madam Minister, do you sit on the board of Crown Investments Corporation?

Hon. Ms. MacKinnon: — Mr. Chairman, I sit on the board of Crown Investments Corporation but I'm not the chair of it.

Mr. Swenson: — Madam Minister, let's not get cute here. I've been there, okay? I know how it works.

Now your department will go out and borrow the money. And there isn't a chance, or at least there shouldn't be a chance that you're going to allow the chairman of Crown Investments Corporation to go out and borrow the money by himself. So why don't we dispense with the footwork here and just get down to the fact that your department will go out and borrow the money. You sit on the board of Crown Investments. And it is all cabinet ministers, senior cabinet ministers in your government that'll make this decision. It's one and the same, okay?

Now, Madam Minister, Mr. Paul Martin says, and I quote:

But one interesting perspective comes from Toronto lawyer, John Levine, (who I suspect is known to your officials) counsel for the Canadian banks who advanced several hundred millions of dollars to finance the upgrader construction. Mr. Levine says it is performing up to expectation. No one believed it could generate profit until the end of the decade. That's the basis that it was represented to lenders, and that's the way it was handled.

Now, Madam Minister, my information is that the consortium of lenders who lent money to this project, until your government threatened legislation, unilateral legislation to change the upgrader agreement, were not concerned about their investment. In fact, according to Mr. Martin, who you so eloquently backed and quoted here just the question before, they didn't see any problem with the financing arrangement at all. Madam Minister, it is only your threat of unilateral action that has placed the financing for this project in some jeopardy.

Madam Minister, would you tell me what would happen if the financing in December of 1994, because of your legislation, goes from a voluntary review to a mandatory review by the consortium of Canadian banks that hold several hundred millions of dollars in debt on this project? What would happen then?

Hon. Ms. MacKinnon: — Mr. Chairman, I'd like to respond in three different ways. First of all, with respect to the capacity of the project to be sustainable, I can tell you, when I was the minister in charge of CIC (Crown Investments Corporation of Saskatchewan), that last year the interest payment on the NewGrade project was only paid because the different parties were able to take out another loan to pay your interest.

To put that in terms that the average person can identify with, it's like your mortgage payment coming due and you have to go to the credit union and get a loan to pay your mortgage payment. And I think anybody who is in that situation, as this project is in that situation, would know that they are in a hand-to-mouth existence.

The problem for the province of course is that we have guaranteed the debt so the taxpayers are on the hook for 360 million. But if the member would like some new information with respect to NewGrade that has yet to be made available to the public, I will make this available to him. The information is, my officials have told me that when the members opposite were government, they too had concerns about this project.

And the officials were asked to look into the feasibility of a tax on the refinery in order to recoup some of the funds. Now what we have to date is the word of my officials but we are looking now for documentation to substantiate that in more formal terms. So this is a problem that is a problem for our government, but from the recorded memory of my officials, it was a problem for your government as well.

Mr. Swenson: — Well, Madam Minister, you certainly have a right to impose taxes. You could raise the royalty rates on the synthetic crude oil that's produced out of that refinery. There's lots of things I suppose you could do rather than bring legislation in here and upset the apple cart.

What I asked you was — and your officials should know this — if the financing, and a major portion of it is up for voluntary review in December of 1994, if because of your legislation that becomes a mandatory review, what normally would happen?

Would the cost of the borrowing go up? Would it go down? Would it stay the same? Mr. John Levine, the legal counsel for the consortium that lent the money, says that without your legislation, they don't feel under any pressure because the upgrader is living up to expectations. If you force a mandatory review, Madam Minister, what is going to happen to the borrowing?

Hon. Ms. MacKinnon: — Mr. Chairman, we have no idea what the member opposite is talking about in terms of the particular article that he's talking about. What we do know is that Judge Estey has said that the project has financially run aground.

Now with respect to what the effect would be on interest rates, it is impossible to predict, and again this is a question that you should ask CIC because CIC would have all the details about the investors involved.

But I certainly take strong exception to a particular individual saying that this project is financially sound. We had a distinguished, former Supreme Court justice — who has by the way, besides being a distinguished individual, fixed a number of troublesome deals — look at this project for a number of months and his conclusion was that in a financial sense it had run aground.

Mr. Swenson: — Well, Madam Minister, the distinguished former Supreme Court judge didn't recommend bringing in legislation that takes away the rights of Saskatchewan citizens to go to court. He

didn't recommend bringing in legislation that would unilaterally change the board of directors of the NewGrade project. He didn't recommend that you bring in legislation that may — if we've got \$300 million, say, in class C debentures or notes up for renegotiation in December of '94, and you by doing this are forced into a mandatory review — have your interest rates jacked up 1 or 2 per cent on that because of your foolishness. Judge Estey didn't have anything to do with any of those things. Unless you think you can find a way, Madam Minister, to legislate that you don't have to pay increased interest rates, because of your foolishness, to chartered Canadian banks. Maybe you've got that one figured out too, I don't know.

There are a lot of concerns, Madam Minister, because another eminent Saskatchewan person that you so often like to quote, Mr. Donald Gass of Deloitte & Touche, who you often use as a *raison d'être* for doing certain things in here, has done an analysis of what your government is up to and says that Federated Co-ops would be very foolish to do what you are recommending because you would put their entire retail system at risk.

Now, Madam Minister, if the consortium of Canadian banks that lent the money to the project didn't think it was going to make a profit until the end of the decade, and Justice Estey didn't recommend bringing in heavy-handed legislation, and Mr. Don Gass says that your solution could jeopardize the entire Federated Co-operative retailing structure, don't you think, Madam Minister, that it might be prudent to take a second look at what you're doing?

Now I ask you, Madam Minister, just give me a what if. Say you've got \$300 million on the upgrader that has to be renegotiated on a mandatory basis. I want to know — your officials would understand — I want to know what the impact would be on the interest rates if that process takes place.

Hon. Ms. MacKinnon: — With respect to the question that was asked most recently, it depends on the interest rates at the time. Everybody knows that when you go to renegotiate a loan it depends, if the interest rate in which the loan was taken out is lower than the interest rate now, they'll pay more; if the interest rate was higher when they took out the loan, when they go to renegotiate, it will be less. But this is all very hypothetical.

I guess I just want to point out a few things about what the government is doing here. The taxpayers of this province have already paid out of their pockets, \$232 million to have had to write off. It's about a quarter of a billion dollars, of tax dollars, got into that project and the taxpayers of this province are never going to see it again. It's a quarter of a billion that could be spent on hospitals, job creation, and the list goes on.

We are also on the hook for another 360 million should this project run aground financially. And the learned justice who I would remind the member opposite, when he was appointed, the member

opposite said was a very credible appointment — said that the project has in fact run aground.

Our solution is a simple one. We're saying that the taxpayer can no longer alone be on the hook. The project is owned half by the province, half by Federated. If profits occur at some distant point in the future, the profits will be shared half by taxpayer, half by Federated.

Why is it reasonable that every time the project loses money, only the taxpayer puts in money? What we're saying is that the losses should be shared as the profits are shared. And we're saying that because that's what the judge said.

The other thing the judge said was this. The judge said that there's a basic conflict of interest in Federated's position. Federated owns the refinery exclusively, all by themselves. None of the profits from that refinery go to the taxpayers. They jointly own, with the taxpayers, an upgrader. The refinery makes money, the upgrader loses money. Federated runs both projects.

The allegation has been made that costs that should be paid by the refinery, by Federated, are being put on the taxpayers' side of the ledger. It's a very serious situation. The judge saw this as a serious situation. And he said, it was a conflict of interest from the point of view of Federated.

And he recommended a solution — that there had to be an arbitration process in place. Actually the process is in place, but it had to automatically kick in so that we could decide whether the costs were being apportioned fairly.

I guess the final point is: yes, we want to negotiate, we want a negotiated agreement. But this has been 18 months; we have had a Supreme Court justice in here looking at the situation. He has concluded what the solution is. We have tried to sit down with the other party and talk about the solution. Even the federal government is willing to talk in terms of a solution, from their point of view. We have had no significant movement on their part. They're not willing to negotiate with us in terms of the principles of Judge Estey.

Our commitment, our obligation — again the judge says this in his report — is to defend the taxpayers and the treasury of this province and that's what we're doing.

Mr. Swenson: — Mr. Chairman, the minister wants to mislead the Assembly and, Madam Minister, that's simply not acceptable. You know darn well that that 50/50 split does not occur until Saskatchewan's portion is paid back. And I would hope you would have the courage to stand on your feet and admit that. Because you know the agreement: that that money will be paid back in its entirety to the taxpayer before the profits are split.

Now Madam Minister wanted to quote Paul Martin.

Paul Martin says:

The NDP has done a masterful job of portraying the upgrader situation as a disaster needing urgent attention. If you stop to think about the financial realities versus the political realities, it seems the urgency stems from Brian Mulroney's decision to retire. The NDP wants to deal with Ottawa now, not with a cabinet under the leadership of Kim Campbell whose views on the upgrader are unknown, or Jean Charest whose Saskatchewan organizer is the member from Estevan, the guy who negotiated the deal in the first place.

Paul Martin's view, the journalist Madam Minister quoted to me as being the guy right on the money, is that there's a high degree of politics here. Okay? The guy that represents the banks who lent the money said they weren't expecting any return till the end of the decade. Don Gass says the province is flawed. Madam Minister stands up here and says that the taxpayer is only getting 50 per cent of the profits when she knows full well that the province's contribution will be paid back first.

I would say that would lead me to believe, Madam Minister, that it's mostly politics rather than financial. So would you mind telling me that the taxpayer isn't going to get paid back before the 50/50 split occurs?

Hon. Ms. MacKinnon: — Mr. Speaker, there are a number of things unfortunately have to be clarified. First of all with respect to Paul Martin, all I said was he wrote the article. The favourable comments were made by a Federated official. It's an interesting way that the truth is taken and twisted to say something somewhat different, but really substantially different. So I've said nothing about Paul Martin except he wrote the article; the favourable comments were made by another individual who's a Federated official.

With respect to the long-term profits, if this project ever does become profitable in the long term, Federated will share in the profits even though all the equity put into the project was put there by governments.

And again, we can stand here and you can go through this individual who had this opinion and another individual who had that opinion, and we can ask this individual what his opinion was. But the key point is the government appointed a former Supreme Court justice. We have on the record comments which I can again make available to you which the member opposite said, this is a credible appointment.

And he studied this project from every possible angle for months. He heard from all of the interested parties, and he didn't take the point of view of the Government of Saskatchewan or of Federated Co-ops, or the Government of Canada. He took his own independent view and his judgement was simple — from a financial point of view the project has run aground.

(2115)

Mr. Swenson: — Well, Madam Minister, we'll get into this with some other members of your government, but I think it's clear to most people that what we've had going on here has a lot more to do with politics in this issue — politics when you were on the board of the Saskatoon Co-op Association, politics when you were the minister in charge of CIC, and politics today when your friend, Don Ching, sits as the president of the Crown Investment Corporation, and the decisions that are made, vis-a-vis the NewGrade upgrader project.

I would have thought that the general counsel for the Canadian Bankers' Association members who lent the money to the project, if they had their shirt twisted in a knot over this thing, would have been prepared to, at the same time that he was talking about the project with Mr. Paul Martin, would have put some kind of a caveat on here about their deep concern. But he didn't do that, and he had the opportunity. He didn't do that.

My deep concern is, Madam Minister, with your political agenda on this thing, that a whole bunch of the loans that are mandatorily reviewed, don't necessarily have to change, the interest rate doesn't have to change, nothing has to change. By bringing legislation in here, walking in and taking control of the board of directors, saying that there is no recourse under the court system for anyone affected — including the Canadian Bankers' Association members who lent the money — that you can simply use the power of this legislature to take the court process totally away from each and every person connected with this thing, that this isn't going to have financial repercussions for the province of Saskatchewan.

And I say to you, Madam Minister, as the Finance minister, you should be concerned that when the government has the ability to do that, that there are other folks around the world who take notice of it and aren't particularly going to be pleased with it. And the end is going to be increase to the province of Saskatchewan, the taxpayers here.

Now, Madam Minister, there seems to be a growing body of opinion out there that your government is up to no good on this and that you need to get back to the operating . . . to the consulting table, to the negotiating table. You need to take that legislation off the books and get on with it.

You still, Madam Minister, haven't answered the one question I asked you, and I know your officials can answer it. If a voluntary review goes to a mandatory review, is it a half a point, is it one point, in the experience of people over there who have borrowed lots of money worldwide? If it goes from a voluntary to a mandatory review, what usually is the outcome? Because people in the financial sector that I've talked to tell me there is a penalty you pay. I want the best guess from your officials who borrow money each and every day.

Hon. Ms. MacKinnon: — Mr. Chairman, I'm really not going to allow the member to keep on putting inaccuracies on the record. And this is fine; I like going over these facts.

The fact is, there's an allegation of a political agenda. Don Ching was not on the board of the Saskatoon Co-op when it was taken over by Federated Co-op. The fact is, Federated was on record last fall as to what their view of me was. It was a positive endorsement. These people, by the time I left the co-op, were people we worked cooperatively with. These are our friends which makes this situation even more difficult to deal with.

So please let's keep the facts straight . . . (inaudible interjection) . . . yes, with respect to the financial community, I don't have any clue what the member opposite could possibly be conjuring up because we have met regularly with members of the Canadian banking association, other people in the financial community.

We've explained the problem with NewGrade. We've explained what we were doing. I can tell you, you could try freedom of information. I do not have one record, one letter on record of any complaints or problems.

So what it is is once again a gloom-and-doom scenario, the sky is falling in and somebody out there who doesn't even contact the Minister of Finance is telling the members of the opposition the sky is falling in because of this.

With respect to the specific question, the people in my department cannot give you an opinion. They do not know what the difference would be and they don't see any reason why there would necessarily be a difference. So no matter how many times you ask that question, they cannot give you a different answer.

Item 1 agreed to.

Items 2 to 8 inclusive agreed to.

Item 9

Mr. Martens: — Mr. Chairman, Madam Minister, on these pensions and benefits that are identified here, how many of them — you can do this in a letter to me afterwards — how many of them are allowed to have a opportunity to transfer these pensions to a registered investment fund at retirement. Would you be able to provide that for me in writing and then I'd like to have some discussion with you afterwards about them. Would you do that.

Hon. Ms. MacKinnon: — Mr. Chairman, I would commit to give the member opposite that information and then to discuss it with him.

Item 9 agreed to.

Finance

Servicing the Public Debt Government Share

Vote 12

Item 1

Mr. Swenson: — Last week in estimates I asked the minister for a list of . . . for the \$157 million in capital projects, or projects under construction, which because of the changing in accounting methods have been bumped into this year's debt, and I haven't received them yet, and I'm wondering if I'm going to.

Hon. Ms. MacKinnon: — Mr. Chairman, this is here with us today and we will send it across.

Vote 18 agreed to.

General Revenue Fund**Debt Redemption, Sinking Fund and Interest Payments**

Items 1 to 3 inclusive, authorized by law.

The Chair: — That concludes estimates for the Department of Finance, if the minister would thank her officials.

Hon. Ms. MacKinnon: — Mr. Chairman, I would like to thank my officials and also like to thank the opposition for their questions.

Mr. Swenson: — Thank you, Mr. Chairman. I too would like to take the opportunity to thank the officials for coming in. It's always nice to know they're diligent enough to come in, in the evening, and help us work it out. So thank you, Mr. Chairman.

General Revenue Fund**Loans, Advances and Investments****Saskatchewan Gaming Commission Vote 142****Item 1**

Hon. Mr. Lautermilch: — Thank you very much, Mr. Chairman. To my left I have Dave Innes, the special adviser on the casino projects; and behind me I have Gwen Frankowski, who is the director of administration and human resources.

Mr. Martens: — Thank you, Mr. Chairman. I have a few questions as it relates to items that appeared in the *Star-Phoenix* over the weekend. And I want to begin where I left off in my discussion about whether in fact the public would agree to have these video lottery terminals in bars.

And I guess from the review that the paper has regarding that, there is some question about whether the public would accept where they are. And I noticed you made a statement that said that was probably just because they hadn't seen them there yet and they weren't prepared to accept them there yet. And I'm not sure that that is relevant. I'd like you to explain that.

(2130)

And then I have a strong feeling about why . . . or I

have a strong opinion about why women, in the survey that they did, are more against this kind of a focus than men are. And I believe that if you would take an assessment of alcoholism and have a survey done on the same basis, you would find that same variable occur when women are asked the questions. And the question is due to the individuals becoming addicted to the process.

And I think that that's a significant point to be made in why these individuals would have something against it. And they have consistently been more against this gambling than the men have. And that is because the dollars flow out of the menu for the home. And the groceries and the things that the individuals need to live on are slowly eroded out of the home by the very fact that they get addicted to it.

And I think, and I said this the other day when we were visiting about this, Mr. Minister, that I think the very fact that you have these video lottery terminals in bars has a significant impact on the two items that could cause addiction getting together and even making the matter worse. And I'd like to have you respond to that. Since you're both the gaming coordinator and the liquor coordinator, maybe we could have a significant answer from you.

Hon. Mr. Lautermilch: — Thank you, Mr. Chairman. I'd like to answer the member from Morse in this way. I think he was referring to the Saskatoon *Star-Phoenix* article in which I indicated that I guess familiarity would have something to do with the reaction and the response when I was shown the results of their survey.

And the reason that I mentioned that was that, as you will know, there's been existing forms of gaming in Saskatchewan for a long, long time. We have lotteries, and I note in their survey that 82 per cent favour lotteries; bingos, and 58.7 favour, according to this survey are in favour of bingos as a form of gaming; and horse racing, in the neighbourhood of 64.2 per cent. And I guess what I was saying is that people, I guess, are not aware of how these casinos will look, the size of them, how the video lottery terminals function, and how they work.

And I just want to say, in terms of an explanation, that we are concerned in terms of the impact of gaming on the general public. We know that there are problem gamblers. And the fact that we have existing forms of gaming in this province, and people who have some problems controlling the amount that they will spend on gaming, is there. It's existing now and I . . . you know, and we certainly don't deny it. We recognize that.

What I do know is that in the polling that we have done, which has become public information, and I'm sure the member will be familiar, what people were asking for is that there be a great degree, a strong degree, a large degree of government regulation and government control. And we've indicated in our conversations in this House, and I've said to the media, that we intend to ensure that there will be a strong regulatory body and strong control by the

government.

And the other issue that became very apparent in the questionnaire that we put forth was that they were concerned with respect to minors having access, either playing or having visible access to the machines. And we have indicated that in both cases we clearly will recognize that and we will deal with that through regulation, to ensure that those two things: one, that the age restriction is there; and that there is strong government control and regulation.

Mr. Martens: — In the overall assessment, are you in favour of full-time casinos in Saskatchewan — 53 per cent said no. If you take a look at the female side of it, it was over 60 per cent, Mr. Minister, and I think that that has some significance. And then to take a look at when you put it in a bar, it goes up 10 per cent, and I think that that is significant in itself. And I'm not here speaking one way or the other way, for or against hoteliers who want to have these machines in their hotels. However, what it tells me is that the women in the province of Saskatchewan have a concern about where the dollars are going to go that come into the home. And I think you need to be concerned about that, Mr. Minister. When you hit 70 per cent, 71 per cent of the people saying that, I think you need to take that very seriously and I would suggest that you do that.

You've mentioned too that there is a significant volume of people who want the industry regulated and controlled, and you can do all of that, but there's still the things that fall through the cracks regardless of whether you do it one way or another way. And I think different groups or agencies or government or people who regulate the industry have found that out, that it has to be absolutely clean and above-board. And that, Mr. Minister, is why we have asked you as many questions. And we're up to 80, I think, already.

That's the reason why we keep asking you those questions about the value and also the perception that people have to have about it being absolutely clean. And we have a lot of problems with how you have done it. And some days you say, I've made a deal with VLC (Video Lottery Consultants) and GTECH. Some days it's not. Some days it's off; some days it's on. And I'm not sure that the public are that sure of what you're doing. And that says to me that there is some . . . I wouldn't call it irresponsibility, but there is some problem in how you're dealing with the public on this very issue. And why has it got that high volume of question related to video lottery terminals, I would suggest to you, is that there is some question about whether you're doing it right.

And I guess we could argue a long time about that, about whether I think you're doing it right, or whether I think you should be using Saskatchewan people, or whether I think you should be doing it with American people. I believe that we should think about Saskatchewan first in this business and seriously consider what the value is to Saskatchewan.

The other thing, if that when you're spending \$23

million, there's a certain amount of that money is profit to whoever is going to manufacture those. And that profit, if it's 10 per cent, is a significant amount of money. That's 2.3 million. If it's 15 per cent, if it's 20 . . . let's say it's 20 per cent, that's almost \$5 million worth of profit is going to some place else than in Saskatchewan, Mr. Minister. And these are Saskatchewan tax dollars. And I believe we have an industry here that would have the capacity to do that, to manufacture and put these things together.

And so, Mr. Minister, those are the items that we're concerned with and we want to have you know that we will be watching you very carefully about how you handle it. And when we get to Crown Corporations, we'll ask you there how you're dealing with it. Because I've sat in the last Crown Corporations meeting and you thumbed your nose at the opposition when asked the questions, and it was not a good scene.

And that's the reason why we put special emphasis on this, because legitimately there isn't one industry in the world that does as many irregular things as we have pointed out throughout United States. And examples after examples of irregularities, improprieties, and all those kinds of things. And that's why you need to have it clean, and we are going to make sure, Mr. Minister, that you make it clean.

Ms. Haverstock: — Thank you, Mr. Chairman. Mr. Minister, when you were here last, I asked you a particular question. I'm going to cite that again, because it fits with the next. And I don't expect an answer for this particular question; you were going to provide it for me in writing.

I asked you to tell me what the results of being in your discussions with particular groups all of whom have asked for some revenue once VLTs (video lottery terminal) are operating. And I also wanted to know what, if any, percentage sharing will take place. The first was with the hotel industry, the charities licensed to operate bingos, private clubs such as veterans clubs and curling clubs who will not be allowed the machines and the horse racing industry whose revenues will be hurt by that move.

Now I was asking this particular question because of the Manitoba experience as you can probably anticipate, where the government did not really appear to have a clear idea of what it was getting into initially. They've subsequently had to make concessions to Assiniboia Downs by putting slot machines at the track. And they have been making peace with private clubs because of the fact that those private clubs' revenues went down substantially.

I would just like to know what you've done to anticipate and deal with this particular issue because it's going to affect revenue projections.

Hon. Mr. Lautermilch: — Mr. Chairman, I would say to the member from Greystone that we're quite aware of the fact that there will be a shift in terms of revenues, changes in gaming as you introduce new forms of

gaming; some will decrease and I think that's quite clear.

We have been studying experiences in other provinces, in other jurisdictions to determine what their experience has been. And in the context of putting all of that information together we are trying to, I guess, second-guess what the changes may be; at this point we just don't know. We're in the process right now of discussions with respect to the revenue sharing and casinos. And on the VLT program within the casinos, as yet those numbers haven't been totally finalized but it will be a cabinet decision item. Cabinet will make a recommendation. And we'll be out talking to the different people involved to determine whether or not they would be satisfied with what government would recommend with respect to sharing of the revenue.

Ms. Haverstock: — Thank you, Mr. Minister. I'm interested in knowing the dates that you've met with the Manitoba Lotteries officials to get their advice on this particular situation?

Hon. Mr. Lautermilch: — I could say to the member from Greystone that I was in Manitoba, I think roughly about three weeks or a month ago, and met with the gaming officials, with the gaming minister. Officials from the Gaming Commission had met with the Manitoba gaming association on a number of occasions over the past 12, 18 months. We can, for you, get a list of the dates when officials from Saskatchewan met with Manitoba officials. And I'm not sure, do we have a . . . We don't have the whole, entire list here but we can get that to you and we'll get the dates in writing to indicate exactly when we met with them.

Ms. Haverstock: — Thank you. I'm interested in that. I appreciate that very much. Has the Manitoba Lotteries ever presented to your people in the department, in Gaming, with the proposal to come in and set up the Saskatchewan system based on the Manitoba model?

Hon. Mr. Lautermilch: — I'm told by my officials that in the initial stages there were discussions with them. And basically that's where it was.

We entered into an agreement with the Western Canada Lottery Corporation to introduce our pilot project. After that point we did a request for proposal and we looked at the proposals that we received. And as you will know, GTECH and VLC were the two that were short-listed, the two companies that we had indicated we chose to enter negotiations for the purchase of the VLTs.

So I can say to you that there were preliminary discussions with respect to the Manitoba corporation, but they were not short-listed. The two companies that were short-listed were VLC and GTECH.

(2145)

Ms. Haverstock: — Thank you, Mr. Minister. I take it then that Manitoba Lotteries had come to

Saskatchewan or had contacted Saskatchewan and had indicated to you and your government the kinds of thing that they had experienced with gaming in their province.

As we already know to date, they really ended up with many things different from what they had initially anticipated. And so much so that we probably could learn a substantial amount from them.

I take it from your comments that you didn't think what they had learned was worthy of our being able to adopt or perhaps learn from them, from their experience.

Hon. Mr. Lautermilch: — No, what I can say to the member from Greystone is that we certainly didn't want to create the same problem that the Manitoba Lotteries Foundation found themselves in. And that's why we've been discussing with them some of the problems and some of the ways they introduce gaming, and some of the changes that we would not want to embark upon.

As an example, I know that in Manitoba their revenue sharing on their video lottery terminal program in their taverns, in their beverage rooms, has a revenue share of 80/20. They indicated that they felt the revenue was far too high for the hoteliers and it was one of the examples that we use of things not to do. We've introduced our program that has an 85/15 revenue share split. So what we are trying to do is learn from their experience clearly. With respect to this industry, we will be introducing a Saskatchewan-made policy, and as I've said, it will be based on corrections of errors made in other jurisdictions.

I'm not going to suggest to you that I think we'll have a trouble-free industry because I don't believe that to be the case. Because it's a new industry, things are going to be changing fairly dramatically, and we know that there are going to be some problems with the introduction of an industry of the magnitude that we're about to introduce into the province. So we know there's going to be problems.

But we have done is we've been prudent in learning from other people's mistakes, and hopefully we won't create a number of our own. We're hoping to minimize that. What I can guarantee you though is there will be a strong regulatory body controlled by the government, the Saskatchewan Gaming Commission, and that we will do everything in our power to ensure that the industry is run effectively, efficiently, and open and above-board.

Ms. Haverstock: — Thank you, Mr. Minister. Have you consulted with them about what companies upon which to rely for video lottery supplies?

Hon. Mr. Lautermilch: — Well I can say to the member opposite, if you're here lobbying on behalf of IGT (International Game Technology) or the Manitoba Lotteries Foundation or a corporation that may sell out of Manitoba, that we're not into that. What I can say to you is that we looked at the

manufacturers of video lottery terminals, we looked at their ability to produce the machines, we looked at the technology, and a number of different criteria that I've indicated before in this House. We short-listed two that we're sitting down and negotiating and trying to finalize the purchase arrangements for it.

IGT is one of the companies that submitted a bid. They were not chosen and that was the same with all of the companies with the exception of VLT and GTECH, and I guess that's how it is in all submissions in proposal calls. There are some companies win, and some that don't. IGT was one that didn't. VLC and GTECH did.

Ms. Haverstock: — Thank you, Mr. Minister. I always find it rather ironic that with most people who come into this room with their officials, I can ask very civilized questions and get very civilized answers, which is more than I can say is transpiring this evening. I'm not here to lobby on anyone's behalf except the people of Saskatchewan. I'm here to ask the questions on their behalf and I think they have a right to hear the answers.

What I'm asking you about and what I'm most interested in is, because I have it on reasonable authority, and as you probably are quite aware as the minister in charge, that the Manitoba government was way off the mark on their initial projections of revenue and there was far, far more money that was coming in than they had anticipated. And that is what this is about.

I don't know who has put forward any kind of offers to you and who you've accepted tenders from. I'd like to know what portion of your revenue budget is the result of VLTs and what you anticipate the net cash proceeds to general revenues to be once you have achieved your targets for machine installations.

Hon. Mr. Lautermilch: — Well let me then clarify for the member from Greystone that in this fiscal year we're budgeting in the neighbourhood of \$30 million revenue. We hope to generate between 40 and \$50 million when the program is up and running on a fully implemented basis. And part of how we arrived at that figure was the Manitoba experience.

Ms. Haverstock: — Thank you. If there are additional revenues to that figure, where will they be specifically directed?

Hon. Mr. Lautermilch: — To the Consolidated Fund.

Ms. Haverstock: — You're stating then that the site operators will not be eligible for a greater share percentage-wise and that you are not perhaps looking after some of the groups who are adversely affected by your decisions, such as the horse racing industry or bingo charities, if it turns out to be the case that they've been hurt by this?

Hon. Mr. Lautermilch: — The decision is that after one year of full operation we would assess the revenue sharing, the percentage, operators versus

government.

Ms. Haverstock: — Thank you, Mr. Minister. The Gaming Commission has now merged with the Liquor Commission to form the Liquor and Gaming Authority. And I'd like you to answer two things at the same time if you wouldn't mind addressing them. When this was officially announced — I don't have the date for it — and what constitutes an Authority?

Hon. Mr. Lautermilch: — The amalgamation was announced in the budget and it's a regulatory body that serves the functions that the Liquor Commission and the Gaming Commission previously did. When it's introduced it will serve the same functions.

Ms. Haverstock: — Do I take it then . . . I would like to understand, are they an independent body then with the right to make decisions and to instruct department staff to carry out those decisions?

Hon. Mr. Lautermilch: — I guess there were to be two components to it. There will be an appeal board that will be set up that would review decisions made with respect to regulations set out by the Authority. And the other portion of it is that it will be there to — after cabinet direction and upon cabinet direction — set out the rules and the regulations for the Authority.

Ms. Haverstock: — Thank you, Mr. Minister. How will this affect the physical make-up of the board?

Hon. Mr. Lautermilch: — We haven't determined yet the number of board members. We're going to be consulting people in the industry, affected in the industry. What I can say though is we will be saving a substantial amount of money with the amalgamation, somewhere we believe in the neighbourhood of a half a million dollars-plus.

There won't be a duplication of having two boards; we'll only have one board. So my guess is that the costs would be reduced substantially just on the board alone. I'm guessing that it would be somewhere downsized, but will still be able to function and act appropriately on the decisions that it makes.

Ms. Haverstock: — Thank you. Do you know how many of the current gaming commissioners are going to move to the new Authority at this time?

If I may, Mr. Minister, just to add to this. I'm wondering what's going to happen to the current minister of the Gaming Commission and her acquired experience over the last few months.

Hon. Mr. Lautermilch: — Well the current minister of the Gaming Commission? I think you perhaps mean the chairperson of the Gaming Authority. The decision hasn't been made yet with respect to the make-up of the new commission. That will have to be presented. A recommendation will go from the minister to cabinet, and cabinet will make the decision at the appropriate time.

Ms. Haverstock: — I think perhaps by putting a

couple of things together, I muddled the waters here. I'm wondering how many of the current gaming commissioners would move to the new Authority. And I'm also wondering about the current chair of the Gaming Commission, and if in fact she will be playing a role on this board in a specific way given that her role may indeed be changing.

Hon. Mr. Lautermilch: — Well I can't give you any specifics with respect to who in fact will be on the new commission. That decision hasn't been made, as I've answered. It'll be a recommendation from the minister to cabinet, and cabinet will make the final determination as to who in fact sits on the board.

Ms. Haverstock: — So if you could clarify for me please, Mr. Minister, from where does the direction actually come? I mean is this commission going to have significant autonomy?

Hon. Mr. Lautermilch: — The make-up of the new administration will give the minister and Executive Council much more discretion in terms of setting policy, but the appeal body will have all of the independence that we could draft into legislation. The appeal body will be separate and apart. They will be there to enforce regulations and do the things that an appeal body does. But as I said in terms of policy and the design and the building of policy, there will be more input from the minister, from Executive Council.

Ms. Haverstock: — I guess in part that's why I'm somewhat worried. Mr. Minister, it goes without saying that the previous administration left the gaming industry in an abominable condition. For 10 years it is quite, I think, publicly known that they interfered in gaming politically, and consistently overturned decisions of the Gaming Commission, and that was nothing less than political interference.

Stories abound among charities and operators about how gaming inspectors could come and rap their knuckles for violations, but the abuses were rampant. And the reason, Mr. Minister, they were rampant was because the commission was never empowered to enforce its actions. That's where the problem was to lie. So, do you . . .

An Hon. Member: — It's still that way.

Ms. Haverstock: — I know. And the member from Morse says and it's still that way, which actually is a corroboration of what I've just stated.

Do you believe that the industry is being brought under control? I can anticipate that particular response, but my next question which goes with it is, do you agree that there is still a considerable way to go?

Hon. Mr. Lautermilch: — Well let me answer to the member from Greystone that the appeal body that's set out in legislation will have total independence. That's how the legislation is drafted and I'm sure you've had a chance to look at the new Act that was introduced to this House. And so you will be well

aware of the structure and how that functions and how the appeal body functions.

Let me say that I believe we need to have a very strong regulatory body. This is an industry that I think needs some careful controls, some careful regulation. We have set out the guidelines in legislation that allow for careful control and regulation, and I feel that that's how it should function.

Ms. Haverstock: — Mr. Minister, the Gaming Commission under the most recent chair, seemed to be making substantial progress. And I think there was a real intention to clean up the industry. I've spoken with a number of people who are involved, and I think the general sense was that things were going to change in a positive direction.

Has the current Gaming Commission made recommendations to the government and will those recommendations be carried out by the new Liquor and Gaming Authority?

(2200)

Hon. Mr. Lautermilch: — It's my understanding, Madam Member, that they do with respect to regulations on the bingo policy. But I want to point out that government, elected officials, will be taking a much greater role in terms of developing policy. I want to say that no one will deny that there are problems in terms of bingo and the regulations. We're doing a review of the policy and of the regulations as it pertains to bingo, and we hope to have some changes introduced by fall.

I just want to say to the member, I don't mind her line of questioning. Certainly I know that she has a number of questions that she's concerned about. I want to remind her that these estimates are basically to deal with the money that's allocated for the expenditure to purchase the video lottery terminals.

I mean we can go on to bingo and we can go on to horse racing and talk about the Saskatchewan Horse Racing Commission. But I want to remind her that under this budget item, we're dealing with the purchase of video lottery terminals.

I think sitting on Public Accounts and Crown Corporations, you're well aware of detailed estimates with respect to the Gaming Commission. We'll come before those committees and that is the appropriate place for them to be dealt with in a similar fashion that we do on an annual basis with the Saskatchewan Horse Racing Commission.

Ms. Haverstock: — Well I am going to assume, Mr. Minister, that you would be more than welcoming of questions about the Gaming Commission considering that the *Star-Phoenix* was nothing but gaming from beginning to end this weekend. I think that people in the province are very, very interested in this issue and that all questions would likely be more than welcomed by the government at this stage. I don't think the people of Saskatchewan would be terribly

thrilled to have to wait until the fall when this comes before Public Accounts and Crown Corporations, or wherever it's going to turn up, to get answers after the fact.

So perhaps what we will do is attempt to entertain some more questions and I think they're within your purview of being able to answer. Now until now rulings on licences, the granting of licences, or the revoking or suspending of licences, were made by the Gaming Commission and people accused of violating the rules could appear before the commission.

Just recently a question was raised about Moose Jaw Bingo Country whose licence was apparently revoked one minute and then reinstated the next. Under the system, until a few days ago, a licensee would have to appear before the commission and have this discussed. Who will they appear before now, and what knowledge collectively will the commission have of the Gaming Commission, of the gaming industry overall?

Hon. Mr. Lautermilch: — Well I want to say to the member from Greystone that in terms of specific questions as it pertains to the operation of bingos, I haven't my officials here to deal with the details, so if you'll forgive me if I don't answer in detail some of the questions that you might ask.

As I've indicated before, Public Accounts is the appropriate place to ask detailed questions where I'll have an opportunity to bring my officials. I have with me today the special adviser with respect to the casino project because I am here to answer questions as it pertains to the money that we've allotted for the purchase of video lottery terminals.

Let me say this with respect to the new Act and the commission, that we expect the regulatory body to enforce policy that will be set forth by government and to deal with that in an independent fashion. And I think that that's the appropriate way for that to be handled. That's how the legislation is drafted, to allow for that. And we have every confidence in the world that that's what will happen when the new Act and the new commission is put into place.

Mr. Martens: — I have a couple of questions that deal with . . . Why would you put at some risk taxpayers' money when individuals would be prepared to make the investment in video lottery terminals and put them in their facilities on their own? Why put the purchase of video lottery terminals at the forefront of this business?

Why wouldn't it be just as easy to lease them? Then you can regulate, then you can control them. You don't have to have the investment. What would the minister say to the fact that the province probably would be better served if they were leased?

Hon. Mr. Lautermilch: — I want to say with respect to ownership of the machines, to the member from Morse, under the Criminal Code the interpretation of our legal people indicate to us that government must

manage and control, which would indicate that the Government of Saskatchewan, our legal opinion tells us, should own the machines.

With respect to leasing over purchasing, it's by our officials and the people who have done the economic analysis indicate that it's far cheaper to purchase the machines outright rather than to have a lease arrangement with any particular company, and that's why the machines were purchased, or will be purchased.

Mr. Martens: — Well you could probably do all of this for less than \$5 million if you leased them all, and then you could leave the \$20 million sit there, and that wouldn't cost the taxpayers much at all. It would give an opportunity for outside investment to come in and have equity in the video lottery terminals, and would relieve the taxpayer of the responsibility of when these things break down that they got to be fixed, that when they break down they got to be replaced. And that, Mr. Minister, isn't nearly as significant as when they become outdated.

Each one of these machines as I have . . . I'm not totally familiar with them, but they all have different kinds of games that you can play with them and those different games become outdated, or the volume of dollars that flow through them is less because they don't have the right kind of games, so they put a new game on it. All of that, Mr. Minister, if you have a whole bunch of these terminals that are outdated, you're not going to have the revenue that you're projecting you're going to have. So why not allow the company to bring them in and have that risk themselves. Why should the taxpayer be required to have the risk.

We just finished talking here earlier about the upgrader and all of the things involved in it. And then you say, well we have to reduce the government risk in a capital project. Well here is a way to reduce risk. ISM (Information Systems Management Corporation) is significantly interested in becoming involved in a lease program. Why not become involved in it, in that way?

Hon. Mr. Lautermilch: — Well let me answer the member from Morse. The way we are proposing to handle this is that we will be purchasing the machines through a loan that is in the budget item. The cost of this loan will be completely paid through what we recover from revenue that the government share will generate. And that's how they're going to be paid. We've put in place a payback period over a period of five years.

In terms of the technology changing and the number of games . . . or the kinds of games, the types of games, these machines are all adaptable to changes. In terms of repair and maintenance, we will have qualified people handling the repair and the maintenance.

And as I've indicated before, people who have done the financial analysis on this indicate to us that the cheapest way to handle this is to purchase the games and pay them back through the profits, which is what

we intend to do. They didn't recommend the lease arrangement because the lease arrangement costs more money. And that is the reason that we have determined to do a straight purchase arrangement as opposed to a lease.

Mr. Martens: — Well you said the lease costs more money. Well the lease costs more money because the risk is high, because of the maintenance probably and the change in the menu on the video lottery terminal. And so I would say that you're increasing the risk. And why not allow those companies to carry the risk? That's what I'm saying to you. That's what we need to have. Reduce the cost, reduce the volume of dollars that the taxpayer has to put out so that it can be spent on other things that are legitimate.

You're going to recover the cost of them anyway. You said you're going to recover the cost in five years. Well how many of those machines in Montana, where they're overstocked by 50 per cent, how many of those machines are available today for next to nothing? And you, sir, could be in exactly the same position in four years or three years. If people aren't going to use them, then you're going to be overstocked. And that's going to cause all kinds of problems.

You've made the investment. It's going to reduce and it's not going to take five years to recover, it'll take eight years to recover. And that, Mr. Minister, you could solve that problem by just leasing the machines. And if there's nobody going to use them, that's fine. Then it isn't your risk. And that, Mr. Minister, would be a lot cheaper for the province of Saskatchewan than doing it this way.

Hon. Mr. Lautermilch: — Well let me point out to the other member, there isn't a jurisdiction near us that I know of who are leasing machines — not Manitoba, nor Alberta. By their analysis, I would assume it is cheaper to doing an outright purchase as we have. With respect to the number of machines that we're going to be introducing, we're going to be introducing less than what the professionals, the people who are involved in the business, are indicating that the market in Saskatchewan can handle.

So we're going to ensure that, first of all, those machines are going to be busy with people involved in electronic gaming. And that's why we're starting with a smaller number. And if the demand would require more, we'll increase the number of machines.

And I guess what I ask the member from Morse, do you buy your TV, the one you've got sitting in your front room at home? Is it purchased or do you lease it?

Mr. Martens: — Mr. Minister, did Alberta decide not to buy GTECH for their video lottery terminals?

Hon. Mr. Lautermilch: — I can . . . I'm not familiar with the exact equipment that Alberta has bought but I can tell you that I do have knowledge that they have purchased machines from VLC, one of the companies that we short-listed.

Mr. Martens: — From my information, they didn't buy any GTECH because the quality wasn't good enough. The types of games that are on GTECH aren't what people want to play and so the volume return is substantially less than what they have in VLC's, and that is a reason why we challenged you earlier: why you went with one over another; why you decided to use them both; or maybe you haven't decided to use them both, we're not just sure where you're at in this discussion. But would you be able to tell us why GTECH and VLC are . . . what the difference is and why they would have gone to VLC instead of GTECH.

Hon. Mr. Lautermilch: — Well let me answer the member in this fashion. I'm told by my officials that they have purchased the same central computer system from GTECH that will be installed here in Saskatchewan, that the call for proposals that they put forward, and the information that was supplied by GTECH, and the technology that GTECH was offering, was done one year prior to the time we put out our call for proposal.

GTECH put forth a different model of video lottery terminal than the one they proposed to sell us on the call for proposal. So you're talking an older machine that was offered to the people of Alberta as opposed to a newer machine in Saskatchewan that was put forth for us. The central computer system comes from the same company.

Mr. Martens: — Is that new machine a 19-inch video screen?

Hon. Mr. Lautermilch: — We plan on purchasing all 19-inch video screens.

Mr. Martens: — Well how many of the 19-inch video screens that GTECH have put together have worked? Like what we hear is that GTECH video screens don't last and there is considerable problems with them. Is there any way to substantiate that?

Hon. Mr. Lautermilch: — Well I'm, you know I'm not going to stand here and hypothesize. I would say to the member that I have a background in electronics and I'm quite familiar with how electronic machines work. And I would want to say that one year a company can produce a model that is fault free, that has a breakdown rate that is very low, way below industry standard. And the next year they can come out with a very much, very much a superior machine, one that has little breakdown qualities, that performs well in the market place.

(2215)

So I can say to you, I mean if you're suggesting that GTECH machines, all GTECH machines of all models are unreliable machines, I would argue with you because I would say to you that as technology improves and as people introduce modifications to circuit boards and to electronics, the internal workings of the machines, that they can reduce the number of breakdowns on very much similar

machines.

But I say to you that you can't generalize that every GTECH machine has a problem with the screens because, I mean, that just, that is not necessarily the case. I guess what you have to do is compare apples to apples and oranges to oranges. You compare one model. You have a look at the breakdown rate, whether it's been a good machine, whether or not . . . I guess no different than when you're out buying televisions. If your neighbour has, as an example, a Zenith television that has worked very, very well, that doesn't mean that you can walk into a hardware store or into an electronic shop and buy a television with the Zenith brand on it and be assured that it's never going to break down, because that's not how electronics work.

Mr. Martens: — Well, Mr. Minister, you made my point about why you should be leasing rather than buying. Technology is moving as fast in this industry as it is in any other computerized industry. The industry is moving faster . . . in fact when you buy a computer, if you buy one, you're already outdated. And it's in a capacity and it's memory bank, all of the things that a computer can do today, is outmoded if you buy one today, it's outdated tomorrow.

And these will probably be very similar to that, not only in their capacity to play different games, but in their capacity to be well-run machines. And that's why we're saying to you, you should lease them rather than buy them. Allow the company to take the risk. Allow the company to update them on the condition that when they break down, and new people or new machines give new games, provide that kind of an entertainment for the people. Allow that to happen. Allow the lease component to drive the industry rather than the purchase program.

I got another question for you. What was the cost of setting up the control in Saskatoon for all of the videos in the province? Is that going to run every video in Saskatchewan through a common telephone terminal system?

Hon. Mr. Lautermilch: — I want to say to the member from Morse, with respect to the purchase of the VLTs as opposed to leasing them, we are buying them with a warranty that comes from the manufacturer, as you do if you buy a computer. I mean as an example, when you were in government, did every computer you buy . . . I mean every computer that was in any government office, did you lease them all? The answer is no, you didn't; you purchased them. Is computer technology changing? The answer is, of course it is.

There may have been some occasions when you leased machines; there may have been some when you purchased. But in terms of what your government did over 10 years is no different than ours. We buy some computers; we may lease some, and we do them based on what we feel is the best dollar buy that we can get at the time.

In terms of these particular machines, our people tell

us that the technology will last the length of the machine and the use of the machine. We will pay them back in enough time that when we need to update, we can go out and purchase machines again. And that those machines, we will look at it at that time as to whether it's cheaper to lease or whether it's cheaper to purchase. At this time our people tell us that it's cheaper to purchase the machines and that's what we've done.

In terms of the central computer system, as the member knows, it will be housed in Saskatoon. We have some property that's under lease and we will be introducing the central computer system in Saskatoon. All of the machines in the province will be run through one central computer system. These machines will report into the central computer between 3 and 6 a.m. in the morning. We will have an indication of how much play the machine has had. We will have an indication of percentage of pay out. We will have an indication through that computer terminal as to whether or not the machine has been tampered with.

That's a report that will come in from every single machine, every 24 hours, and that's how the function is going to work. We've employed and will be employing in Saskatoon some 28 people. We're creating some 28 new jobs in that area — some clerical and some administrative and some people who are familiar with the computer system. And they'll be monitoring that on a daily basis, and that's how the machines will function. As I've said, everything will be put into the central computer system and that's where this will all be monitored.

Mr. Martens: — Was it new and how much did it cost?

Hon. Mr. Lautermilch: — It's brand-new GTECH equipment, and the cost is \$2,058,216.

Mr. Martens: — Is that a part of the 23 million?

Hon. Mr. Lautermilch: — Yes, it is part of the 23.

Mr. Martens: — How much do you have to pay for the telephone hook-up for all of that?

Hon. Mr. Lautermilch: — None of that has been invoiced, and I don't have those figures with me. The telephone hook-up has not yet happened, but it'll happen through SaskTel's lines as you would any other computer network.

Mr. Martens: — On the hotel system that you've already got in place, is there a central terminal that runs them?

Hon. Mr. Lautermilch: — That's monitored through Western Canada Lottery's facilities in Winnipeg, and they're all hooked up through that process.

Mr. Martens: — GTECH supplied the material. From the information that I had, I was under the impression that it was used equipment from western Canada lotteries in Winnipeg and that they had taken a lot of

the computer equipment out of the warehouse in Winnipeg and moved it into Saskatoon. Would you either confirm or say yes or no to that?

Hon. Mr. Lautermilch: — I can say to the member from Morse, whoever your source of information is, is speculating, and it's totally untrue. It's all brand-new equipment. It has never been used by anyone. We purchased new equipment. We purchased the whole package from GTECH. It doesn't come from Western Canada Lottery Corporation or anyone else; it comes through the purchase from GTECH.

Mr. Martens: — I don't have my material. Did you provide me with the information about the volume of cost that SaskTel was going to be in proportion so that you have an idea what it would be in relation to the operating costs? Did you have a percentage of the operations of what it would cost?

Hon. Mr. Lautermilch: — We don't have that information here. You know, I would really like . . . if I had it, I would — but I just don't have it. As you will know, we're prepared to deal with all of those detailed questions when we do Public Accounts estimates. We certainly have no problems with sharing the information for you.

The other thing is I . . . we don't have a firm cost in terms of the installation. All of those were put out on a proposal call and that hasn't been determined yet. So it's just really premature to give you that information. We just don't have it at this point.

Mr. Martens: — Have you . . . I saw an ad in the paper for maintenance men and women to apply. Have you completed that already or are you waiting for some future day when that's going to be concluded?

Hon. Mr. Lautermilch: — No we haven't completed that process yet. It's close to being completed but at this point it's not finalized.

Mr. Martens: — Have you decided which VLTs you're going to buy?

Hon. Mr. Lautermilch: — Well as I indicated on a number of occasions, the short-listed companies were GTECH and VLC. And as it stands, that's where negotiations have been taking place.

Mr. Martens: — With the capacity that you have in transition and the time that you've allocated yourself, when are you going to have them in place in order to generate any income from them?

Hon. Mr. Lautermilch: — We expect the central computer system to be up and running and ready to accept information from machines by July 15.

Mr. Martens: — And by July 15 are you going to license these machines into those locations already? Are you going to have them purchased by then?

Hon. Mr. Lautermilch: — We're certainly hoping that that would be the case. As I've indicated, July 15 is our

target date for having the central computer system in appropriate position to accept the information from the VLTs. And we certainly would want to start installations by that time.

Mr. Martens: — So in a month you're going to decide to order 2,000 video lottery terminals? You're going to . . . pardon me, decide the company. And they're going to be installed and in place within the next 30 days. Am I to assume that that's a fact?

Hon. Mr. Lautermilch: — I'm told by my officials that they have the physical capacity to install in the neighbourhood of 3 or 400 machines a month. And the companies would be able to supply well within the ability of the people who would be installing. They would be able to supply all that we could install.

Mr. Martens: — Do these companies have a thousand video lottery terminals on hand in wherever they're made? GTECH and VLC, do they have the terminals already manufactured? Are they sitting and waiting for you to get through the session so that you can go out and buy them?

Hon. Mr. Lautermilch: — Well let me say to the member for Morse that we are told that they can supply our needs. I don't know how many they may have warehoused. I have no knowledge of that. I'm not personally that intimate with how much stock they carry, how many VLTs that they have in storage.

But under the proposals, they've indicated that they have the ability to deliver. I have no reason to believe that they can't and I guess we will see. We have to assume that based on their past ability to deliver to other jurisdictions, that they can supply our needs as they have the needs of other jurisdictions who have purchased from them.

Mr. Martens: — When you did your assessment, did you have one company have more video lottery terminals than the other? Did GTECH have less or did GTECH have more than VLC so that you had some realization about the stock on hand, that they could manufacture what you're planning on buying?

Hon. Mr. Lautermilch: — No, we would be signing a legal document that would tie them to the supplying of the VLTs as we requested in the call for proposal. So quite clearly if they were not able to supply, they would be held liable and they could be open to a lawsuit. So I don't know any reason why a company would put forth a proposal giving a commitment to supply a certain number of machines at a certain time without having the ability to produce the goods.

So I guess if they are unable to supply under the limits and the guidelines of the contract, we would take the appropriate legal action to recover any costs that might be incurred by the Government of Saskatchewan for their inability to deliver. But we believe that they have the ability to deliver and will live up to the terms and the conditions of the arrangements that are made with the Government of Saskatchewan.

Mr. Martens: — They would definitely have a lot of experience with legal problems coming from the jurisdictions that they're coming from. And so I think that it's incumbent upon you, Mr. Minister, to be absolutely sure that the tax dollars are put at the least amount of risk, and that's another reason why I believe you should lease them.

Leasing has a whole lot of positive options in relation to these video lottery terminals. And I say again, I point out the fact that new technology comes along and it's improving every day. You don't put taxpayers' dollars at risk. You don't put the servicing contracts in the hands of the government; you allow other people to service. You can monitor the service. You've got the technology to control whether there's tampering or whether there's involvement.

(2230)

All of the things tell me, Mr. Minister, that you would be better off to lease these than to buy them, and I'm going to make that point because I think it's substantial. And I say again, you're going to save \$20 million in a fiscal year in rural Saskatchewan cutting 52 hospitals. And I say that's what you're going to cut, and then you're going to try and invest it in video lottery terminals. There's people that say no, don't do it that way. Lease them rather than buy them. And that's, I think, far more of a benefit to the province of Saskatchewan than doing it this way.

Hon. Mr. Lautermilch: — Well I . . . you know I can understand what the member from Morse is saying, but I can't understand the rationale. As I've indicated to him quite clearly, we're doing a straight purchase arrangement with these companies. On one hand, he says, don't deal with these companies. And on the other hand, he says, enter into a long-term lease agreement. And I mean . . . I can't . . . one days it's apples and the next day it's oranges. I get a little confused.

But let me say to the member is that this is nothing but a loan from the Consolidated Fund that is fully recoverable. And it's a straight purchase arrangement that we're intending to enter into and that's where we intend to take this arrangement. Our people tell us that it's cheaper to lease than it is to outright purchase, and for those reasons . . . or cheaper to purchase than it is to lease.

I guess I just ask you again, your television sitting in your front room at home, do you purchase it? Or have you leased it? My guess is, you're like 90 per cent of the people in this province, that you own your television sitting in your front room. You're not very concerned about technological change in that aspect. You went out and purchased it, which is what we're doing with the VLTs. Some people purchase cars because for whatever reason; for whatever business arrangement, some people lease them. Some people own their telephones and some lease them.

So, you know, I guess it's . . . all I can do is take the

information that . . . and the knowledge that our experts put forth to us and make the recommendation to purchase as opposed to lease. We've made the decision to purchase because we feel it makes more business sense and rather than leasing, would save the people of Saskatchewan money.

Vote 142 agreed to.

The Chair: — That concludes estimates for the Saskatchewan Gaming Commission. If the minister would thank his officials for having attended here this evening.

Hon. Mr. Lautermilch: — Thank you very much, Mr. Chairman. I would indeed like to thank my officials for their assistance tonight and their patience. We have a process here where you're on call and sometimes your officials wait on stand-by for a long period of time, and I would compliment my officials for their patience.

And I'd also like to thank the member from Greystone for her questions, and the member from Morse for his questions. I'm hoping that we were able to share information that would indicate to you that we are acting in the best interests of the people of the province on the purchase of these video lottery terminals.

Mr. Martens: — Thank you, Mr. Chairman. I'm still not satisfied that you're acting in our best interests, but I have to agree with you . . . I want to thank the officials for their attendance and their willingness to participate, and I want to thank them for being here many times when we didn't get to do the job, and I appreciate that.

The committee reported progress.

The Assembly adjourned at 10:35 p.m.