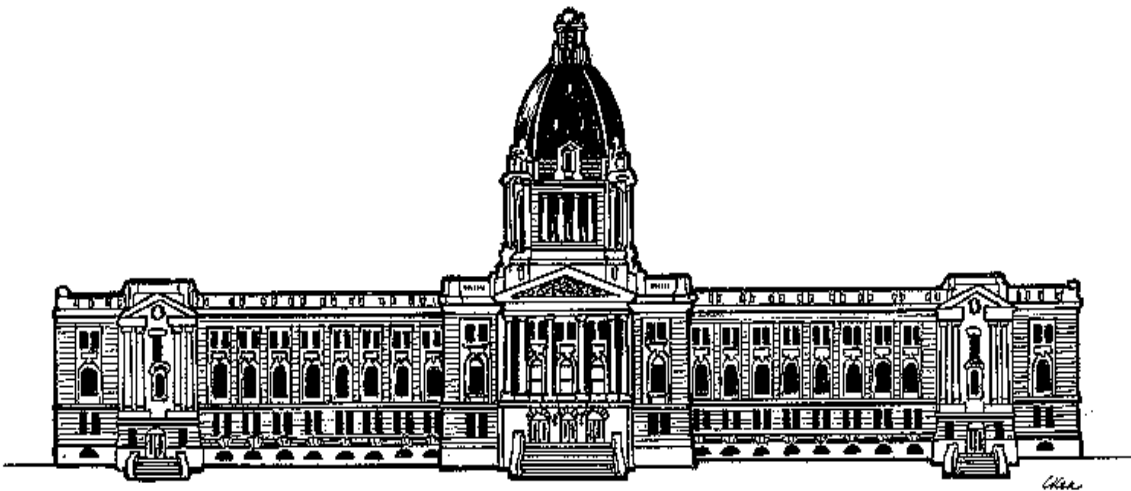




STANDING COMMITTEE ON THE ECONOMY

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**STANDING COMMITTEE ON THE ECONOMY
2004**

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Hon. Deb Higgins
Moose Jaw Wakamow

Mr. D.F. (Yogi) Huyghebaert
Wood River

Mr. Kevin Yates
Regina Dewdney

The committee met at 15:00.

The Chair: — Thank you very much. We have with us today the Department of Finance, the Minister of Finance. And, Mr. Minister, if I could ask you to introduce your officials, and then we will consider the first agenda item on our list.

Hon. Mr. Van Mulligen: — Mr. Chairman, the officials that have joined me specifically for consideration of The Tobacco Tax Amendment Act is on my right, the deputy minister of the department, Ron Styles; and seated beside me on my left is Len Rog — he's the assistant deputy minister of the revenue division.

Bill No. 37 — The Tobacco Tax Amendment Act, 2004

Clause 1

The Chair: — Thank you very much. The first item of business is Bill No. 37, An Act to amend The Tobacco Tax Act, 1998. Is clause 1 agreed? Mr. Krawetz.

Mr. Krawetz: — Thank you very much, Mr. Chairman, and welcome to you, Mr. Minister, and to all your officials this afternoon. First of all I want to thank you for providing me with a breakdown on the taxes and the various components of tax that the government receives, most specifically of course the components of the tobacco tax estimates.

Mr. Minister, the changes to advertising and the controls that are being implemented across the province to deal with trying to dissuade young people especially from smoking have, I understand — from Cancer Society statistics — have worked as the prices of tobacco have increased. Do you have statistics from either of those organizations that would actually confirm that, that in fact as the prices of cigarettes increase that the amount of smokers decreases?

Hon. Mr. Van Mulligen: — Mr. Chairman, we do not have the figures from those organizations, but we monitor our own figures, and those are based on actual consumption patterns.

And I can tell you that cigarette consumption in Saskatchewan decreased by approximately 21 per cent from the fiscal year 2001-02 to the fiscal year 2002-03. So over the course of one year it dropped 21 per cent, and I think that reflected a fairly substantial increase in the tobacco tax in that year.

However the consumption of cigarettes increased the year after that by approximately 7 per cent, that is in the fiscal year 2003-04. And we did not increase the taxes that year and consumption again increased. So one of the things we're hoping with this tax is that we may be able to have some impact on consumption patterns.

Mr. Krawetz: — Thank you, Mr. Minister, and I do hope it has some impact. I have, you know, in discussions with the Anti-Tobacco Coalition and with representatives of the Cancer Society and others, I've tried to stress to them that some type of more stringent rules have to be implemented for youth. And I know that it is a problem at the school levels, and I've been talking with administrators of schools who spend much of their

time dealing with infractions of the rules by students that involve smoking.

And while I know that you've indicated and we've heard in the Assembly that we will have the occupational health and safety inspectors — health inspectors — being the people that will travel around the province and ensure that the laws of the province are followed regarding the sale of tobacco to people under the age of 18, there still seems to be a problem. And I'm going to give you the example.

The black market price of a package of cigarettes is anywhere between \$12 and \$20. And what happens is the young people — and unfortunately, especially females age 10, 11, 12, 13 — who cannot purchase tobacco products at the local grocery store, find someone who is of age, who has the photo ID (identification), and pay exorbitant prices to this individual to go into a store, purchase four or five packages of cigarettes and literally sell them outside the door of that particular confectionery. The result is that at the school level we see that lockers contain packages of cigarettes. These are children, these are young people who are under the age of 18.

So when we look at pricing . . . and I began my questioning by talking about pricing because I would hope that, you know, as prices increase, it seems that it affects the number of people that are currently smoking. And as you've indicated, it doesn't necessarily mean that, because we've just seen an increase in the number of people that were smoking. What is being done by Finance department, by education led by your department, to try to get at what I believe is the problem in that young people still can legally possess tobacco products?

Hon. Mr. Van Mulligen: — Mr. Chairman, the member raises a number of very good questions and I think is one that will be of interest to virtually everybody in Saskatchewan and society. You know, personally I always wondered about my own son, whether he would take up smoking; and you know, I don't think that he has, and I hope that he doesn't, but as parents you're always worried about that.

I might say that going back to the year 2001-02 when we had a rather large increase in the tobacco tax, this was done in concert with the provinces of Alberta and Manitoba, and I think also reflected some ability we thought at that point to be able to monitor any movement of cigarettes along the Trans-Canada Highway at the Manitoba-Ontario border. And you will know that from what I said that that increase seemed to result in a 21 per cent drop in consumption.

We had further discussions with Manitoba this year. Our sense was that Alberta was not prepared to go there at this point. And Manitoba has also made increases and we have made increases. It would be our intention first of all to continue to work with our neighbouring provinces to see in the future where it is that we can work together on this file, so at least from the viewpoint of price that we can move more or less in concert. And to the extent that price is an issue and causes young people to reduce consumption, then we want to work with them.

It's also by working with them that we lessen the potential for, as you mentioned, black market cigarettes. There is some of

that, but the more that we can work together with those jurisdictions, I think the greater the chances we lessen the potential for black market sales or, you know, some opportunity for young people in any event to get hold of cheaper cigarettes than you can in retail establishments.

You know, there is at this point a Bill before the legislature to deal with the question of second-hand smoke and smoking in public places that members will have the opportunity to deal with. I know that one of the recommendations from a previous legislative committee dealt with the question of not signage so much, but the question of to what extent cigarettes should be displayed in public places. And you will know that there were changes made to legislation that imposed certain requirements on retailers, and that law has been challenged and I gather is still before the courts in one way or another, and has not yet been resolved. That was part of thinking that it's best to do what you can to denormalize cigarette smoking, to take them from public view and especially the view of young people, to make it seem that that's not a normal thing — something odd about these display cases that are covered up.

The other question that you raise is a question, one of legality. Some jurisdictions, I think, have moved in that direction. I think that was an issue that was again considered by the committee at that point, but they did not recommend that. Maybe that's something that at some point down the road we have to examine again, but it was not our first or at least the committee's first conclusion, that if young people are accessing something that is legal for the rest of society, that what you wanted to do is to penalize young people and to, in a sense, make them criminals for certain kinds of activity. That should not be your first step.

But I don't know. If what we do through tobacco taxes, and what we do through other ways in terms of banning smoking in public places and displays and those kinds of things, and advertising, that if that isn't enough then I suppose that as members of the legislature and public officials we'll have to look in the future as to other strategies and tactics that might also have some impact. But it's a huge problem.

I sometimes get asked the question by people, saying, well you know you should be happy with the fact that you're getting all these tobacco taxes and these revenues for your budget. And I say, you know we always can use the revenues, but I guess I'd be much happier if no one smoked because I know at some point the health care expenditures would go down.

Mr. Krawetz: — Thank you very much, Mr. Minister, and I agree with you that we can't just look at the revenue from taxation because there has to be a corresponding cost, and that cost of course is in health care dollars and in other related costs.

I want to encourage you to continue to look, and you've mentioned discussions with neighbouring provinces — Manitoba and Alberta. And I think that's a strategy that I think we should undertake more so to deal with the challenge. The incidence of younger smokers in Alberta and Manitoba is very similar than those statistics in Saskatchewan. And if we can develop a plan that is a joint Western province plan, to either look at the strategy of whether it's the legality of possession or the legality of sale, for that matter . . . And, you know, I just find it, you know, very difficult to accept that a storekeeper

who, someone comes in with a false ID and looks 18 and then, you know, that person can be fined for actually selling the cigarettes. And yet on the other side, the person who comes in, who is of age, who buys five packages of cigarettes, can sell the package of cigarettes out on the street and nothing is done about it. And I think that that's a weakness that we have.

Mr. Minister, you indicated that one of the policies that was adopted was of course trying to ensure that signage, that advertising the cigarettes, the products were under hidden shelves, and yet you've indicated that the number of smokers increased. And I note from the documents that you provided to me that in last year's budget you had originally forecast that — for just cigarettes, and I'm not going to get into the cut tobacco or the cigars — that the cigarette original budget, on the presentation of the budget for last year, you had anticipated \$155 million and the end result according to the forecast for that fiscal year that just ended on March 31 was 162 million. So in fact it actually went up \$7 million.

Yet we were supposedly in the middle of a campaign that we were ensuring that no one was going to become, you know, interested in purchasing cigarettes because they couldn't see the product. Like is there any correlation to the fact that you received more money . . . or the Government of Saskatchewan received more money from the sale of cigarettes, when at the same time we were supposed to have a plan in place that was going to decrease the number of smokers?

Hon. Mr. Van Mulligen: — I don't want to speak for the Minister of Health and the thinking of the people in the Health department or the committee, the all-party committee that examined this issue. But I think their intention was that with respect to putting up barriers for the display of cigarettes, was that over time it would have an impact on younger people; might not necessarily have an immediate impact on the consumer patterns, but that over time it would have had some impact on young people and that they would see that as something not normal and something to be asked about and questioned about, but that over time it would have the positive impact of reducing demand for cigarettes. But it wasn't, I don't think, I believe it was something that was seen to have an immediate impact.

The increase again, you know, we recognize the previous year there was a 21 per cent drop when we had a large increase in the tobacco tax in concert with the other provinces. Last year there was no change in the tax and consumption went up. This year, as I indicated, we had indications from Alberta that they were not prepared to increase their tobacco tax this year in this budget. We talked to Manitoba. They were supportive. But I think that, going forward, we should enter into more substantial discussions with our neighbours as to a multi-year plan as to how we can work together on this.

Mr. Krawetz: — Thank you, Mr. Minister. Mr. Minister, for the forecast for this fiscal year, '04-05, you've indicated that the revenue from the sale of cigarettes — the tax on cigarettes alone — will increase by \$15 million from the previous fiscal year. Is that a figure that takes into consideration only the increase of a cent and a half or are you also working in that there may be a drop in the amount of sales?

Hon. Mr. Van Mulligen: — We expect that there will be no increase in consumption. We expect that the increase should have the positive impact of keeping consumption at last year's level and that there should not be an increase. That's our projection at this point. If the increase were larger, it might reduce it. If there were no increase, we would expect that consumption would continue to rise. But our estimate at this point, given the size of the increase, that it should hold consumption at last year's level.

Mr. Krawetz: — Thank you, Mr. Minister. My final question regarding the First Nations rebates, and the discussion right now that not only deals with the tobacco tax but also is dealing with the Act that's before the legislature regarding smoking in public places and the smoking in facilities or public places that are on-reserve. And I know that that's a discussion, I believe, that the Minister of Health is having with First Nations individuals.

Has there been any resolve to the problems that were in effect before us three, four years ago regarding rebates, and is that working fine now?

Hon. Mr. Van Mulligen: — Generally speaking, we've come to an agreement with a large number of the First Nations in Saskatchewan with respect to their collection of the . . . well it's not collection, but their sale of tobacco products upon . . . and their remission, sales figures on which we then base a rebate to the First Nations of the tax. We've reached agreement with a large number of the First Nations. There are some outstanding issues with respect to some of the First Nations. Some, I'm not sure quite yet how we're going to resolve those. But maybe I'll let Mr. Rog just provide you some of the details of those issues.

Mr. Rog: — We've signed agreements with 62 First Nations — 62. We think that there may be two . . . There are probably two other First Nations out there that we are aware of that have stores on-reserve but who have not entered into agreements with us.

As the minister indicated, the rebate program for retailers is working reasonably well. We're paying out . . . I believe last year, in 2003-2004, we paid out approximately \$31 million in rebates to First Nations on tobacco tax.

Mr. Krawetz: — Mr. Minister, to your official, last year's documents also indicated that there was money set aside for dealing with lawsuits with the First Nations. I think it was over \$1 million that was being set aside. Is there still a sum of money that is set aside, or have all of those lawsuits been resolved?

Mr. Rog: — Not all of the lawsuits have been resolved. We have resolved or are in the final stages of settling approximately 20 lawsuits. There are 47 statements of claim that are outstanding right now. And we have accounted for, in our financial statements, I believe it's approximately \$29 million is what we've anticipated, what we've estimated the total payouts could be for lawsuits in the past and in the future.

Mr. Krawetz: — So, Mr. Minister, when you indicate that for the current budget, you anticipate that the First Nations rebates will be a sum of \$38.4 million, does that include some money that's being set aside to settle those law cases, or will there be

additional monies that will now have to come from Justice or some other revenue source?

Hon. Mr. Van Mulligen: — I stand to be corrected on this, but I think this is based on consumption and does not include the money for any lawsuits.

Mr. Krawetz: — So if I compare documents where you've said that last year the rebate was highlighted by showing that it did include \$1.2 million set aside for lawsuits, with 47 statements of claim, obviously some of those may be settled during this fiscal year that we're in. Where will monies come from to be able to settle those claims?

Hon. Mr. Van Mulligen: — There is an allowance made in our financial statements for that. Maybe I'll let Mr. Styles just give you the details of where we can find that.

Mr. Styles: — Without having the actual numbers here, we've made allowances in each of the past two years for the number of lawsuits and the expected level of settlements. We have a settlement framework in place.

So the allowances have been made. The cash simply hasn't been distributed, okay, to the bands. It's only done once the lawsuit is actually settled in a court and the claim is agreed to by both parties. So again, the allowance is made, but the cash won't flow maybe for another year or two years.

Mr. Krawetz: — So with the allowance being made, that cash has been set aside to handle that, and it sits in a fund?

Mr. Styles: — An accounting adjustment has been made, okay, and there's allowance for that — just as there would be if you thought there would be a loss on a particular loan, but the loss actually had not been incurred yet because you were still working on collection.

Mr. Krawetz: — So is this a liability of the province for future years?

Mr. Styles: — Effectively no, it wouldn't be a liability. You've made allowance for it, okay, so it's like a negative revenue might be the right phrase for it.

Mr. Krawetz: — Mr. Chairman, that will conclude my questions on this Bill, and I want to thank the minister and his officials for answering them.

The Chair: — Thank you very much. Clause 1, agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried.

Clause 1 agreed to.

Clauses 2 and 3 agreed to.

The Chair: — That's agreed. Her Majesty by and with the advice and consent of the Legislative Assembly of Saskatchewan enacts as follows: An Act to amend The Tobacco Tax Act, 1998, Bill No. 37. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Mr. Yates.

Mr. Yates: — Mr. Chair, I move we report the Bill without amendment.

The Chair: — It has been moved that the committee report the Bill without amendment. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried.

The committee agreed to report the Bill.

Bill No. 1 — The Financial Administration Amendment Act, 2004

The Chair: — The next item before the House is Bill No. 1, The Financial Administration Amendment Act, 2004. Mr. Van Mulligen, would you introduce your officials.

Hon. Mr. Van Mulligen: — Thank you, Mr. Chair. Again, seated beside me on my right is Ron Styles, the deputy minister. And seated on my left is Terry Paton, who is the Provincial Comptroller.

Clause 1

The Chair: — Thank you very much. Clause 1 agreed? Mr. Krawetz, I thought that might be the case.

Mr. Krawetz: — Thank you very much, Mr. Chair, and to you, Mr. Minister. I want to clarify a number of sections, and I first want to begin by indicating at this committee level my appreciation to your officials from the comptroller's office for meeting with me and taking me through the Bill to better understand the sections and the changes that were implemented. I appreciated that because I think it helps me understand and helps me understand the direction that you wanted to follow.

Mr. Minister, when we look at the move by Saskatchewan to produce a budget on the summary financial basis . . . which has been, you know, anticipated for a number of years and has been, I think, recommended by the auditor, and the official opposition has been suggesting that you move in this direction. Can I just ask you a very plain and simple question: has the preparation of this fiscal budget on this basis been difficult, and did you encounter difficulties that you did not anticipate?

Hon. Mr. Van Mulligen: — Well I'm the wrong guy to ask. It's my first budget, so I've got nothing to compare it to. But I might ask Mr. Styles if in his opinion it's presented any difficulties.

Mr. Styles: — It represents a change. And so any time you're going to change the budget process, it requires that you change your lines of communication for instance with the agencies you're dealing with.

In the past our relationship with particular government enterprises was more of one of obtaining their financial

statements at year-end rather than being involved in their budgeting or their planning process at the front end. So it's required some changes.

It's required some re-examination, I think, of our systems. We now need to look at incorporating it into our forecast methodologies as well. Obviously we go with quarterly reports on an ongoing basis, and we'll need to look at what we're going to do with those quarterly reports.

It has changed maybe a bit of how I think the government, in the context of Treasury Board, etc., will look at the budget process into the future. And my guess is there'll be a bit of an evolution over time as well.

So it has required change. In some ways it obviously generates some improved information for the people of Saskatchewan, and that's always a positive. In other ways again it requires more time, more resources. And as we build up the overall accountability framework, again it takes more people, more bureaucrats, and that has a certain cost to it which we're always very cognizant of and try to make sure that we do keep the preparation of what's going on at the very lowest cost possible.

So it's got some positives and some challenges that go with it.

Mr. Krawetz: — Thank you very much, Mr. Styles. Mr. Styles, as we move through this first budget . . . And I understand, you know, your comparison, Mr. Minister, to not having been involved in a previous budget, even of the other kind. What will we as legislators, in all cases, both government and opposition, what will we be able to look at to see whether or not all of the components now that are part . . . the various agencies, the various Crown corporations . . . What measurable objectives will we be able to look at to see whether or not the estimated revenue, the net revenue which is the only thing that we're seeing in the current budget estimates, it's a net number? How will we know whether or not the objectives of that particular agency were met or not met?

Mr. Styles: — I would tell you that the financial statements themselves, the budget statements we put out each year, are only one component, okay, of an overall performance management system. We started to issue this year performance plans for each of the government departments. They were provided at the same time as the budget documents were.

For the first time legislators both in the government and the opposition have an ability to look at a particular set of goals and objectives for a department and compare it to the financial resources that are being made available, so you can draw a direct, a direct line between again the dollars that you're going to appropriate and the results that you're going to get from that appropriation.

That process right now extends to all of executive government. We are now working a bit with some of the treasure board Crowns and potential in the future that might be extended as well to maybe some of the government enterprises. But you're starting to gain both sides of the equation — not just the dollars, because the dollars don't tell you a lot. Directly it's what the dollars achieve that really is, I think, what's most important to probably the public generally, okay, and probably to the

legislature.

But we now have documents that connect the two. And we hope to continue to make improvements in the future to provide more information that allows for that kind of a comparison, that kind of a connection.

Mr. Krawetz: — Thank you, Mr. Styles. And as I've indicated in our discussions, Mr. Minister, on . . . I think it was on the interim supply Bill where I have asked you questions regarding the direction of certain entities that were built into the document. And the response from, I believe I had a response from SaskTel, and I had a response I think from SaskEnergy. Upon your instruction, they responded to me by indicating that, you know, the changes in the revenue from last year to this year was based on, you know, certain things that were going to happen.

And as we look to next year at this time when we are able to compare things to find out whether or not those numbers were attained . . . and as you said, it's not always the number, but it's to ensure that there are clear objectives that have been met by an association. And I know that you've talked about . . . in corporations, Mr. Styles, you've talked about the boards that are responsible for ensuring that that particular fund or that particular agency or that particular Crown continues to move in the direction that they've put forward, I guess, in the preparation of this budget.

So as we look to next year's budget I think the public and of course elected representatives need to be assured that we will be able to see first-hand how and why things changed if they did change, and whether or not the numbers were met, and I think that that's what's necessary.

Transparency is number one, and I think you're moving in the right direction. And I want to thank . . . you know, compliment you, Mr. Minister, for leading Saskatchewan in this direction because as I've travelled around the country and been involved in watching estimates in Manitoba and in other provinces that have moved into the summary financial budgeting, you know, much, much sooner than we have. There seems to be a far greater amount of accountability of the outside agencies, outside of the General Revenue Fund, and I hope that that's the plan that you have, Mr. Minister.

Hon. Mr. Van Mulligen: — One of the things . . . Just following up on your comment. The summary financial plan, that we publish with the budget document which provides then an estimate from not just the General Revenue Fund but the other government entities, now can also be related back to the summary financial statement which is published as part of the public accounts and is something that . . . I guess the public accounts will be coming out at the end of July . . . June, end of June, early July, in that area.

So for the first time, members of the legislature and the public will be able to now make some comparison between what it is that we're budgeting for this year and to make then some direct comparison to what the summary financial statement show as what actually transpired in the previous year.

Mr. Krawetz: — Thank you very much, Mr. Minister. And

that's good to hear.

Mr. Minister, one of the concerns that I have in Bill No. 1, and probably the only concern, is related to the use of words, "in accordance with the accounting policies established by the board." Could you clarify who is the board?

Hon. Mr. Van Mulligen: — The board that we're referring to would be the Public Sector Accounting Board. No? Treasury Board.

And the Treasury Board, of course, and the government receives or has the benefit of statements from the Public Sector Accounting Board which is a group of the Canadian Institute of Chartered Accountants. And they publish, you know, the accepted accounting principles, so we have the benefit of that. But we have our own statements and principles that we follow.

Mr. Krawetz: — Mr. Minister, I know in discussions at the public accounts meetings over the last number of years, there has been I think a position taken by the Provincial Auditor's office that the generally accepted accounting principles of the Canadian Institute of Chartered Accountants is the framework by which the Government of Canada and most provincial governments or . . . in fact not . . . I would believe that it's all provincial governments must follow. Is that correct?

Hon. Mr. Van Mulligen: — Well I'm not sure that it's must follow. I think PSAB (Public Sector Accounting Board) states and if I can quote them, for senior governments in Canada, these standards are, quote, "generally accepted" in the true sense of that phrase.

The federal, provincial, and territorial governments are sovereign governments. They can't be forced to follow the standards, yet there is a very high voluntary compliance with the standards in the Canadian Institute of Chartered Accountants public sector auditing handbook.

Mr. Krawetz: — Mr. Minister, that's where I have a bit of a problem with the Act and its limitations. And you're aware of the international story now regarding Nortel and the fact that accountants and accounting firm is now, I believe, going to sign off on its third set of documents; that indeed, the numbers that they are verifying are accurate according to the accounting principles that they were following to do that audit. So as a result . . . Though of course we, I believe, are led to believe that there may be people that may be charged with criminal activity in this relationship.

My concern is that if the Treasury Board is to follow the generally accepted accounting principles as identified by the Canadian Institute of Chartered Accountants, why aren't we saying that in the Act, where it still may allow flexibility for the province to deviate and then accordingly indicate that in its auditing documents? I believe that that's the acceptable practice in talking to a number of chartered accountants. It doesn't say that in your Act, in your amendments. It says that the board is still responsible for those accounting principles.

So I'm wondering why you are not moving in the direction of what the CIAC, Chartered Institute of . . . No. Canadian Institute of Chartered Accountants, CICA and the move . . . I

know the province of British Columbia is moving in that direction. Why aren't we leading and imposing a situation whereby it will be the generally accepted accounting principles of the Institute of Chartered Accountants of Canada?

Hon. Mr. Van Mulligen: — Well, Mr. Chair, if I can just make a number of comments on that. First of all, as a matter of principle, you know — and if I go back to what it is that PSAB states — is that we are a sovereign government, and that implies that we make our own decisions, and we are responsible for making those decisions. And we, at the end of the day, have to account to, if you like, our shareholders which are the people of Saskatchewan for the decisions that we make, including the financial decisions that we make and the way in which we manage our finances. And at the end of the day we're accountable, and we should not and ought not to have external guidelines that move us in certain directions. And for us to say well, we're moving in a certain direction, even though we want to, it's these guidelines that are moving us in that direction.

And I guess I would rather take the position that we are doing the things that we are doing because we believe them to be the right thing to do and want to do them. And if they're the wrong thing to do, then let us know that. But if they're the right thing to do, let us know that too, although we don't get very much to the latter in public life as you know.

So one is the notion that we're sovereign. We make our own decisions. We do not subscribe to others who are not accountable or responsible to the people of Saskatchewan as to what they think is best. So that's one point that I would like to make.

Secondly, I'm not sure that at all times that the guidelines that have been issued by PSAB would necessarily, or the generally accepted accounting principles, would at all times have benefited the people of Saskatchewan. I don't have the details and maybe Mr. Paton can get into this, but I think there may have been instances in the past where the generally accepted accounting principles may have provided some prescription as to how we deal with foreign exchange rates and that that was not something that other provinces or this province looked upon very favourably. And if we had adopted that would have meant some exposure for the taxpayers of Saskatchewan and not in a positive way. And I think in that particular case, the generally accepted accounting principles were pulled back or changed somewhat. So that's a concern that I would have.

And if you take the position that you should simply follow them, well that's not something that . . . you know, I think you'd want some bit of further reflection as to how those principles and those guidelines impact your jurisdiction.

I also have a concern from the viewpoint that we put forward not just a budget, but we put forward also a four-year financial plan before the Legislative Assembly. And then every year . . . This financial plan is put forward the year following a general election with our budget, and every year we update that financial plan.

One of the requirements of The Balanced Budget Act is that, in putting forward this financial plan, although you can make changes to accounting practices, you nevertheless have to

continue to put forward a plan based on the accounting practices you had when you started the four-year plan. So I'm a bit concerned about changing horses in midstream, if you like, with respect to accounting practices and what impact it might have on the four-year plan that we put before the people of Saskatchewan.

In this particular four-year plan, we are incorporating a change in accounting practices with respect to full accrual reporting for capital assets. That's a change that really doesn't have to be made till next year, and I guess we follow their guidelines. It's something that we then would not necessarily do until the next year, but we feel it's appropriate to do it now, at the beginning of a four-year plan.

So those are reasons in my view that, you know, at least in a general that way we should reflect further upon the guidelines and principles that are enunciated by any outside body before we, as a sovereign government, incorporate those ideas on how it is that we run our affairs and especially our financial affairs, because there may be a downside risk to doing that.

Having said that, we have paid very careful attention to the principles and guidelines that come from the Public Sector Accounting Board. We have made, independent of that and in concert with that, many improvements over the last number of years to how it is that we report, how it is that we account for the finances of the province.

I think members will know that financial reporting left a lot to be desired in the 1980s and one of the reasons that we moved into a horrible situation in Saskatchewan. But I think we've been able to make some very good changes, and some of them are not related to, you know, guidelines from the Public Sector Accounting Board, such as the idea that the Provincial Auditor is appointed by, if you like, by the Public Accounts Committee of the Legislative Assembly. I'm not sure that's one of their guidelines or one of their principles. So we've gone beyond that, and I think that's a good and a tremendous improvement over what we've had in the past.

Again, you know, I think we've made lots of improvements in our statements. We also state that our summary financial statements are prepared in accordance with generally accepted accounting principles for senior governments, as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants, and you know, recognizing though that as a jurisdiction we reserve the right to implement them in a way that we think makes sense for our own needs as a province and as a jurisdiction. Also pointing out that wherever we deviate in our reporting, in our financial management, from those generally accepted accounting principles, the Provincial Auditor will report on that in his report to the people of Saskatchewan.

Mr. Krawetz: — Thank you, Mr. Minister. Mr. Minister, you've indicated that, you know, as a sovereign government you want to follow practices that you have in place, so this leads me to two questions.

First of all, what safeguards then — you've identified some of the things that have occurred in the '80s and we don't want to repeat — what safeguards then do you have in place that

ensures that if you are replaced by some other minister and Mr. Styles now is replaced by someone else, that they suddenly deviate so dramatically from the generally accounted . . . the accounting principles that are generally accepted and move in an entirely different direction according to the governments of the day's wishes that are not going to . . . that will be reported upon by the auditor as being wrong and yet they may be followed. What safeguards are in place?

Hon. Mr. Van Mulligen: — I think the safeguards are much more substantial than they were in the 1980s. One, there are now clear requirements for the government, for example, to publish the public accounts of the province by a certain date. That's enshrined in legislation, whereas the practice in the 1980s I believe was that, you know, the public accounts is something that governments could publish when they thought the time was right. But now we've put that into legislation, so I think that's a safeguard.

Another one of the safeguards we have that we've put into law is now that the Provincial Auditor — who is the independent voice that assesses government — is someone that's appointed not by the government — not by the government — but is someone that is appointed by an all-party committee of the Legislative Assembly, the Public Accounts Committee, and therefore is an appointment to which the opposition members must also agree.

And I think just . . . those are two very significant safeguards to ensure that the kinds of practices we had in the 1980s can't be repeated — in addition to legislation such as The Balanced Budget Act and other improvements that we've made, the timely reporting of reports by departments and so on. All of which, I think, provide more of a legislative and legal framework which constrain governments in terms of their doing what they want to do, as opposed to doing what the law requires them to do in terms of fully accounting for their financial operations.

Mr. Krawetz: — Well I totally agree with you that the auditor's office is recognized as holding government accountable and produces documents. And the method of choosing the auditor has changed, and I think it allows for probably what I would call public confidence in the auditor's office.

And the reason why I and the official opposition are suggesting that we add to your Bill is just that — that the public has to have the confidence that in fact you are following the generally accepted accounting principles and that if you deviate, somehow there will be a tracking mechanism.

Mr. Minister, I obtained a copy of The British Columbia Budget Transparency and Accountability Act, as it is referred to, and I want to read from section 5 of that Bill. And section 5(2) basically says this:

The main estimates for a fiscal year must include the following:

And then it lists a, b, c, d. E says this, (e) says:

a summary of the accounting policies of the government

reporting entity as established by Treasury Board and disclosure of any material variance of those policies from generally accepted accounting principles for senior governments in Canada;

So, Mr. Minister, those are the exact words that I've heard you use over the last half hour, that in fact you believe that that's the sort of the policies that you're following and that your department will follow in ensuring that you are.

So I'm not sure why we don't want to have that included in this Act, that says you will follow the generally accepted accounting principles and if you deviate you must report or your officials must report. And that obviously then would be reconfirmed by the Provincial Auditor.

It seems to me that the public would have much more confidence that you aren't, you and your officials are not going to try to change things to meet your political needs or anything like that, that in fact the generally accepted accounting principles that are going to be followed in British Columbia and probably in every other province with some deviations . . . As you've indicated, that there has been reason why, maybe in Saskatchewan, there were certain things that are not the practice yet of the Canadian institute, but that they're coming.

Why wouldn't we want to put in place an amendment that says that?

Hon. Mr. Van Mulligen: — Without commenting on the need of the Government of British Columbia to put this into their legislation and again harking back to my comments that we are an independent jurisdiction . . . At the end of the day I am called to account and held responsible for decisions that I have made and the impact that this has on the people of Saskatchewan, that I should not, cannot mitigate that responsibility in any way by referencing some outside group.

Let me just say too, that at the end of the day the people of Saskatchewan have a great deal of confidence in the Provincial Auditor and his independent view of our finances and his comments on our public accounts and his comments through his own reports on financial practices in the province of Saskatchewan, that I'm not sure — recognizing that — that any other statement in our legislation is warranted at this time.

Mr. Krawetz: — Thank you, Mr. Minister. And as I've indicated before, I think that accountability and transparency and confidence by the public that indeed the system is not only is accountable or being held accountable but is actually perceived to be accountable. I think that's very important.

And I will be proposing two amendments to the Bill that will ask you to consider that the generally accepted accounting principles would be something that this government would consider as the principles that are being followed.

And I think I've heard you say this afternoon that in fact that's what you really do anyways, and I hope that you would consider those amendments as amendments that would help to ensure that you still have the flexibility of deviating but that it is understood by the public of Saskatchewan that we are following the generally accepted accounting principles as identified by the

Canadian institute so that there is not the perception that someone in a particular department can suddenly change the accounting principles according to their wishes.

Hon. Mr. Van Mulligen: — Mr. Chairman, if I just might say in addressing the question of confidence, to the extent that confidence is a factor of perception I believe that the Provincial Auditor reports on an ongoing basis on the finances of Saskatchewan and he will record where it is that we account in a manner that's consistent with the generally accepted accounting principles, and also where it is that we differ from those principles. So the thing that the member wants is in fact occurring now and it's not being reported by us but it's being reported by an external body, that is to say the Provincial Auditor.

The other question of confidence, confidence is also something that can be based on performance and I can tell you, Mr. Chairman, that there are some very, very tough critics that examine our budget and our financial statements on an ongoing basis. And those critics are the credit rating agencies in the financial community, and that the financial community depends on, and those critics say that they support the direction that we have taken with respect to our financial management.

The Chair: — Thank you very much. Clause 1, is that agreed?

Some Hon. Members: — Agreed.

Clause 1 agreed to.

Clauses 2 to 6 inclusive agreed to.

Clause 7

The Chair: — Clause 7. Is that agreed? Mr. Krawetz.

Mr. Krawetz: — Thank you, Mr. Chair. I'd like to move that clause 7 of the printed Bill, that we:

Amend section 15 of *The Financial Administration Act*, 1993 as being enacted by Clause 7 of the printed Bill by striking out "in accordance with the accounting policies established by the board" and substituting "in accordance with generally accepted accounting principles".

I so move.

The Chair: — It has been moved by Mr. Krawetz that clause 7 of the printed Bill be amended as follows:

Amend section 15 of *The Financial Administration Act*, 1993 as being enacted by Clause 7 of the printed Bill by striking out "in accordance with the accounting policies established by the board" and substituting "in accordance with generally accepted accounting principles".

Is that agreed? All those in favour? All those opposed?

The committee has three members supporting, three members opposing. The Chair votes against the amendment as that is the status quo. The amendment is defeated.

Amendment negated.

The Chair: — Clause 7. Is that agreed?

Some Hon. Members: — Agreed.

Clause 7 agreed to.

Clause 8

The Chair: — Clause 8. Is that agreed? Mr. Krawetz.

Mr. Krawetz: — Thank you, Mr. Chair. Mr. Chair, I'd like to propose an amendment to clause no. 8 of the printed Bill, and it would read:

Amend section 16 of *The Financial Administration Act*, 1993, as being enacted by Clause 8 of the printed Bill by striking out "in accordance with the accounting policies established by the board" and substituting "in accordance with generally accepted accounting principles".

I so move.

The Chair: — Mr. Krawetz has moved that clause 8 of the printed Bill be amended as follows:

Amend section 16 of *The Financial Administration Act*, 1993, as being enacted by Clause 8 of the printed Bill by striking out "in accordance with the accounting policies established by the board" and substituting "in accordance with generally accepted accounting principles".

Is that agreed? All those in favour? All those opposed?

There are three members of the committee who are supporting the amendment and three who are opposed. The Chair votes against the amendment as that is the status quo. The amendment is defeated.

Amendment negated.

The Chair: — Clause 8, is that agreed?

Some Hon. Members: — Agreed.

Clause 8 agreed to.

Clauses 9 to 21 inclusive agreed to.

The Chair: — Clause 21, coming into force, is agreed.

Schedules 1 and 2 agreed to.

The Chair: — Her Majesty, by and with the advice and consent of the Legislative Assembly of Saskatchewan, enacts as follows: An Act to Amend The Financial Administration Act, 1993, and to make consequential amendments to other Acts.

Mr. Yates.

Mr. Yates: — Mr. Chair, I move we report the Bill without amendment.

The Chair: — It has been moved that we report the Bill without amendment. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — That's carried.

The committee agreed to report the Bill.

**General Revenue Fund
Finance
Vote 18**

Subvote (FI01)

The Chair: — The next item before the committee is consideration of the estimates for the Department of Finance. Mr. Minister, do you have any officials that you would care to introduce at this time before we entertain a speaking list? And I'm sure you do because I see a number of them here. Mr. Van Mulligen.

Hon. Mr. Van Mulligen: — Thank you, Mr. Chairman. Seated beside me, again, is Ron Styles, the deputy minister, on my right. And on my left is Terry Paton, the Provincial Comptroller. There are a number of other officials in the room, and as we call them forward, we'll introduce them to the committee at that time.

The Chair: — I would appreciate if you would introduce them as they come forward. The consideration of estimates for the Department of Finance on page 64, the first item under consideration is administration (FI01) in the amount of \$3.398 million. Mr. Krawetz, I think you may have some questions.

Mr. Krawetz: — Thank you very much, Mr. Chairman. And welcome to all of the additional officials that have joined us for this afternoon. I see that our time is limited this afternoon and we have a number of questions that we want to work through.

Mr. Minister, I want to begin with the transfer from the federal government in the category of other, federal transfers. And you, your officials, on your instruction, provided me with a document that indicated that for this current budget year you have — in the category of transfers from the Government of Canada under the section, other — you have indicated that we will receive \$157.8 million. And you have provided a breakdown of that to me, Mr. Minister.

Mr. Minister, yesterday in Learning estimates there was discussion regarding the transfer of — to Learning, to the Learning department — of \$45.47 million to Learning. And the Minister of Learning indicated that that money was being shared with other departments and that it in fact may be revenue that will be transferred to many of these other departments. And I'm wondering on what basis did Learning receive this money of \$45 million from the federal government, and is it being split up to deal with programs in all departments, in other departments? Because there was some uncertainty last night in estimates of Learning.

Hon. Mr. Van Mulligen: — Well, Mr. Chairman, I'm not sure I can answer that question. If that's funding that Learning

receives by virtue of an agreement that is in place with the federal government, that would be an agreement that the Department of Learning would be able to speak to.

I'm guessing, but I know that Learning was or perhaps still is the lead partner on the Kids First program and that may reflect that funding. I don't know that. But you know, in that then is funding that, because it's an interdepartmental strategy, would go to support expenditures in not only Learning but Health and Department of Community Resources and Employment as well.

Now I don't know if that's the one. I'm just not in a position to get into the details of that. But the Department of Learning people should be able to do that if that's, you know, the agreement in question. I just don't know.

Mr. Krawetz: — Thank you, Mr. Minister. And I don't want to confuse the issue. I'll deal with it then maybe more in a more generic way. As the federal government transfers 157.8 million, do they transfer that money to the General Revenue Fund of Saskatchewan and therefore then it's your department that would allocate those monies? And my question then is: will you be allocating the money that seems to be received by the General Revenue Fund on behalf of Learning? Will you be allocating it to other departments?

Hon. Mr. Van Mulligen: — We've found the item in question and the \$45 million is for something called the Labour Market Development Agreement. But how that money is distributed, I couldn't tell you. You would have to ask the Department of Learning that particular question. You know, when these agreements come forward, we review them at that time. But we're not really in a position to speak to the details of that agreement.

But I think the Minister of Learning, that if you would tell him that, in your estimates, we want to ask you about the Labour Market Development Agreement, that he would be able to ensure that the officials are there with the details to speak at some length about that agreement.

Mr. Krawetz: — Mr. Minister, my question is related not only to this year's expenditures. And we've had discussions in the Legislative Assembly around health transfers and federal governments, you know, wanting to hold provinces accountable for monies that they transfer to you, you know, for a specific need. And I guess that's where my question is.

We were led to believe last night that the \$45 million that is transferred to the General Revenue Fund of Saskatchewan for Labour Market Development Agreement, may not necessarily all end up in the Department of Learning. In fact it may end up in, we were told, Community Resources and Employment and in other agencies.

So my question then is, if I look at Health and we see monies that are being transferred directly . . . And let's even back up one more step. Last year, in Finance, you received . . . the General Revenue Fund received \$47.7 million of federal funding for diagnostic medical equipment. Did that money get moved from the General Revenue Fund to Health? Or do I have to ask the Minister of Health to see whether or not in fact that money was totally received by Health or it ended up somewhere

else?

And that's why I'm asking the question about Learning. I'm not trying to see whether or not the money was, you know, somehow not allocated. The question is whether or not this is Learning money that stayed in the Department of Learning, or whether or not it is now monies that are being allocated to three or four departments.

Hon. Mr. Van Mulligen: — Well there certainly would be some provision in the estimates within the relevant department or relevant departments for that. But maybe I'll let Mr. Styles take a shot at that.

Mr. Styles: — For those federal revenues that arrive to the province, you know, in a tied agreement, okay, where there's a particular activity — whether it's buying diagnostic equipment or whether it's a particular type of program operation — it would be the department in question that would be responsible to demonstrate the tie between the dollars that came in and where the dollars actually went.

But in theory if you receive \$45.4 million dollars from the federal government for the Labour Market Development Agreement, you've got to spend \$45.4 million, okay, in labour market development and whatever that entails in the context of the individual agreement.

Whether that money went to one department or two or three departments, we'd have to go back and talk to the departments. Often programs, you know, overlap two, three areas, and potentially could be in two or three departments, but each agreement would have its own unique accountability framework.

I was more familiar with the housing agreements that were in place with the Saskatchewan Housing Corporation, as an example, and so the dollars that came in to them, there was a distinct accountability framework and you had to provide audited statements to demonstrate the money was being used for housing and for a very specific type of housing as well.

But each agreement would have a different accountability framework, and it's probably more appropriate to ask the specific department because most of these are negotiated by individual departments, not by the Department of Finance.

Mr. Krawetz: — Then just a simple question. Will the General Revenue Fund of Saskatchewan receive this \$157.8 million and distribute it then according to agreements?

Mr. Styles: — Generally the answer is yes, but there may be specific agreements where you have to bill before you get the money.

So in all instances I couldn't tell you definitively that the money simply is going to arrive here, and, you know, we'll put it out; it may be a case where the province actually has to take care of the actual activity and bill the federal government back before the revenues arrive or are accrued.

Mr. Krawetz: — And I understand that in programs that are administered by the province on behalf of the federal

government, you may see additional revenues that will come in because Saskatchewan is administering the program.

And I look at the Saskatchewan Crop Insurance Corporation administration fee. The General Revenue Fund receives \$15.3 million from the federal government for administration of the Saskatchewan Crop Insurance Corporation, and then I take it that that money is transferred from the General Revenue Fund to the Saskatchewan Crop Insurance Corporation. Is that correct?

Mr. Styles: — That's right.

Mr. Krawetz: — Mr. Styles, then if I look at the question around funding of federal-provincial agreements, especially in the area of agriculture, we have seen, you know, the advent of the CAIS (Canadian Agriculture Income Stabilization) program, and I note that in supplementary estimates for last year, that we will be voting — in Agriculture — we're going to be voting an additional expenditure of \$98.776 million for the CAIS program for last year.

Yet I note in the estimates — and this is the part that I think the public gets a little confused when they look at the Agriculture estimates, Mr. Minister — that you have put forward for this year in your Estimates document, for last year under the budget category, we see no expenditure for Ag and Food. Yet in supplementary estimates we will actually be voting an additional \$98 million for last year.

If someone doesn't see the supplementary estimates, there is confusion as to whether or not the province of Saskatchewan actually expended \$98 million last year. Now as I take it, we will be voting on the fact that you did set aside \$98 million for the CAIS program for the fiscal year that ended on March 31. Is that correct?

Mr. Styles: — The 98 million in fact is an accrual adjustment. The way the program works — and again Ag would probably be a better department to ask — but the way the program works as I understand it, is that it's based upon the 2003 crop year. Therefore by the end of March 31, there was enough information to identify clearly what the province's financial responsibility underneath the program was. Therefore we're required to accrue the \$99 million. The cash itself though will not be distributed until '04-05.

Mr. Krawetz: — Right. And if we look at that \$98 million, it's not necessarily the entire amount that will be needed for the Saskatchewan component as I understand it. The agreement with the federal government that the Department of Agriculture has reached, is that the contribution by Saskatchewan to the CAIS program will stay at around that 98.7, or if I just round up, to \$99 million. It was that amount for last year. It'll be this amount for this year.

And I understand what you're saying, Mr. Styles, is that it's relevant to the 2003 crop year for last year's money that was set aside, or the accrual of it. And for this year, it'll be 2004 crop year for next year's payments. And that money may not be all of the money needed, depending upon the margins of operation within the farming community.

So could you explain then, how will the General Revenue Fund be affected? And I know it's, you know, it's an Agriculture question. But I want to know how the General Revenue Fund will be affected by the \$98 million if the accrual for last year is only going to be dealt with by payments made this year and already you're again in a budget process where we're setting aside another \$99 million? How will that be accounted for?

Mr. Styles: — Well maybe I'll take an initial run at it and then the Provincial Comptroller may want to touch on it as well.

I would use, in an analogous way, the fact that we incur certain expenditures with maybe electricity and natural gas in our operations, for instance, at the tail end of a particular year. Those payments would not have been made. The cash would not have been distributed in '03-04. Okay? So we actually accrue it on the books as an expense and then the actual payment, okay, will not occur until '04-05 at some point.

And we have a fair number of those kind of payables in our financial statements. So the CAIS program, okay, under Agriculture would only be one example of that. There would be a wide variety of those. Maybe Terry might want to add to this a bit.

Mr. Paton: — Yes. The only thing I might add to that is that it is based on the 2003 crop year and certain elections that farmers have to make. My understanding is that because it's historical information, that most farmers can calculate what eligibility they have under this program at this time.

And through consultation with the Department of Agriculture, they've set up what they believe is the appropriate amount that Saskatchewan will have to pay out under this program. It's not the federal share. I think the federal government's sharing in this program as well.

But I think the amount that you see is the liability that we would have to farmers in respect of the 2003 crop year. The additional amount you see is for the . . . Or the amount in the budget for the coming year, would be for the 2004 crop year.

Mr. Krawetz: — Thank you, Mr. Paton. My question then would be, we've noted in the budget that . . . We saw programs — especially in agriculture — that have been cancelled, that actually were funded jointly by the federal government. So if that program has been eliminated, like the Conservation Cover Program and the forage program where there were federal dollars coming to the province for that program, will we now see an adjustment in the agricultural expenditures? Because I don't believe the federal government will pay us . . . or pay farmers for a program that has been cancelled.

Hon. Mr. Van Mulligen: — Mr. Chair, that would be part of the mechanics of the agreement that Agriculture would have with the federal government. And I would just simply suggest that, you know, one should direct that question to the Minister of Agriculture.

Mr. Krawetz: — Thank you, Mr. Minister. And I'm going to do that at the next opportunity that we have in estimates because, as you may have noted, there was an article in today's paper where I think the columnist who wrote the article about

the CAIS program basically said, if you try to understand it you're going to have a sore head, you know.

And that seems to be the difficulty right now; we're having farmers trying to understand the APF (agricultural policy framework) agreement according to whether or not there's federal components that are being met, and the fact that it was signed on in December 2003, and whether they're eligible for payments, and whether or not they're going to receive 100 per cent of the claim. As you've indicated, Mr. Paton, I think many farmers who have good accounting systems understand their margin of the previous year and know full well. And if the government has only set aside 99 million and there is a need to pay out 200 million, they're going to get 50 per cent of their claims. And that's the kind of difficulty that I think the agricultural producers are facing.

And I will direct some of those questions to the Minister of Agriculture, but I think it still impacts on the General Revenue Fund because, as Mr. Styles has indicated, there has been an accrual of \$98 million . . . \$99 million for anticipated costs for the crop year 2003 from last year's budget. We're doing the same again in this year's budget and none of that money has flowed into anyone's hands. Am I correct in saying that?

Hon. Mr. Van Mulligen: — Mr. Chairman, again I strongly urge the member to put the question to the Minister of Agriculture.

I go back to what he stated about this article in the paper today and the lack of understanding creating sore heads for people, I would suggest that this is not the appropriate venue to get the Aspirin that's going to clear this up. I strongly recommend that these are questions that should be put to the Minister of Agriculture to clear the air on this.

Mr. Krawetz: — I appreciate that comment, Mr. Minister, and we'll do that. But as I indicated, I wanted to determine whether or not the General Revenue Fund has set aside money of \$98 million for last year, by the fact that we have a supplementary document that says we are going to vote that expenditure for last year, and your estimates for this year include in the Department of Agriculture, Food and Revitalization an additional \$99 million expenditure which is obviously something that your department is in control of.

Mr. Minister, let's turn to another area, and this is not something that I had the opportunity to talk with you about in the last couple of days. But I wanted to find out from you or your officials whether or not the new agreement with all the other provinces regarding the 6/49 lottery agreement in . . . I understand that today we have switched to a new 6/49 system where no longer are we able to buy \$1 tickets and in fact it's \$2 a ticket.

Is there an agreement that your officials are aware of that we have participated in with all of the other provinces to arrive at a new agreement, that would indicate the share of money that government would receive from that lottery commission, and whether or not the prizes that are supposedly now being touted as the . . . doubling the prizes, etc., will that impact the revenue to the provincial government Department of Finance?

Hon. Mr. Van Mulligen: — Mr. Chairman, I don't think the member is going to win the lottery on that question here either. This pertains to an agreement between the provinces as to the construction of the lottery and is a question that should be put to Culture, Youth and Recreation who are the department responsible and will be able to answer the member's question in some detail.

There is a lottery licensing agreement which provides revenues back to us, but as to the construction of the lottery, we're just simply not in a position to answer that question.

Mr. Krawetz: — Thank you, Mr. Minister. Could you or could your officials clarify what percentage of the revenue of sales — in that agreement that exists right now — what percentage of the sales does government receive as revenue?

Hon. Mr. Van Mulligen: — Mr. Chairman, the agreement that we're dealing with is a . . . I guess we're more or less in the midpoint of a three-year agreement going from April 1, 2003 . . . or in the first year of the three-year agreement to March 31, 2006. And the licence fee in that agreement is 9 per cent of annual lottery ticket sales.

Mr. Krawetz: — Thank you, Mr. Minister. Mr. Minister, and I raise this concern because an individual phoned me today and indicated that this new lottery system is in place now. And he has been told that previously the amount of money allocated to prizes was about 52 per cent of the dollars collected — and again maybe your officials know what that agreement was — and that 9 per cent was the percentage of course that government receives.

His indication is that this new agreement that will involve Saskatchewan purchasers of lottery tickets, in fact that the prize payout will jump to as high as 75 per cent and that the government revenue will remain the same. And therefore that the amounts of money allocated to sport and culture and recreation, that that is where it's going to drop; that because they're going to pay out far bigger dollars in prizes, there may be some difficulty.

And I know that the Minister of Culture and Youth is where I'm going to pose this question. But if the response there is such that I get the answer saying, please contact the Minister of Finance — because that is what I've heard on some other questions before — I want to be . . . I want you to reassure me that your officials will provide the contents of this new agreement and how the Government of Saskatchewan, and especially the agencies, the culture and youth agencies in the province that are not wanting less money, they in fact want more money to ensure that they're able to provide the services throughout all the, all the communities in the province.

Hon. Mr. Van Mulligen: — Mr. Chairman, might I just say that we're certainly prepared to . . . At the end of the day after the consideration of estimates for all of the departments, if there are any follow-up questions are identified for Finance, that we'd certainly be pleased to come back and deal with those questions in committee to clarify that. I would not want the situation where members feel that they're not getting their answers addressed by the appropriate department.

But in this particular case it's difficult for us to answer for more than what we're aware of and what we're responsible for. I think that we have some notion as to their components or their estimates, and maybe Mr. Styles can speak to that. But as to the specifics of that agreement and how it might affect outside parties, that's a question that should be put to them.

Mr. Styles: — If I can, I'll leave you with two numbers. The '03-04 forecast number from the lottery licence is \$12 million, and for '04-05, the number that we're using right now is \$13 million. That is the projected take for the province of Saskatchewan, so that would tend to indicate that there is an expected increase in overall net profits for the lottery as a result of the changes they're making.

Mr. Krawetz: — Mr. Styles, I take it that that number was a projection made before discussion on 6/49 and changing 6/49 totally to a \$2 — a toonie — a toonie ticket rather than a loonie ticket.

Mr. Styles: — Well I would have expected . . . (inaudible) . . . and that's what I would have expected.

Mr. Krawetz: — Thank you very much for your officials too. Let's change to another topic, Mr. Minister.

Mr. Minister, the various co-operative associations in Saskatchewan have been lobbying for . . . or expressing their concerns about the anticipated changes that Finance is making regarding the farm fuel tax rebate program. And in your budget you announced that the 80 per cent of coverage would remain in place and that there would be some exclusions that would take place.

The various associations, and I have a letter from the Yorkton Co-operative Association, and I know that many of my colleagues have received letters from other co-operative associations expressing their concern with Saskatchewan Finance that your department was contemplating or considering a minimum gasoline purchase of 200 litres at card locks, and that the farm tax fuel rebate program or exemption permit, would not apply to these purchases under 200 litres. And I think, Mr. Minister, if these letters that are addressed to the Premier of Saskatchewan, I'm sure they would have made it to the Department of Finance. I'm sure you've heard about the concerns of many of these associations regarding first of all, how would they implement this and whether or not it would contribute to, you know, environmental concerns at the farm level.

So I'd ask you, Mr. Minister, is to identify what Saskatchewan Finance is intending to do regarding the changes that you announced in the budget regarding the exemption, and how we're going to move in the concerns expressed by these associations?

Hon. Mr. Van Mulligen: — Mr. Chairman, I just finished signing letters and sending letters to all of the parties that have written to me expressing concern with respect to the 200-litre rule to indicate that we will not implement the 200-litre rule at this time. We will continue to monitor farm gasoline sales and we will take appropriate steps if necessary to prevent abuse, but we will not be implementing the 200-litre rule at this time.

Mr. Krawetz: — Thank you, Mr. Minister, for clarifying that. Mr. Minister, if I might ask then, the contemplation of this 200-litre rule and your suggestion that you're going to monitor to see that abuse does not occur, what were the reasons for implementing or attempting to look at implementing a 200-litre rule?

Hon. Mr. Van Mulligen: — We, as you know, made a change in the budget with respect to the removal of the rebate on the retail purchases of farm gasoline. And we did that because we believe that, at the end of the day, that all those that use gasoline in Saskatchewan for on-road use should help to pay for the maintenance and development of our road system in Saskatchewan. And therefore we removed the rebate on the retail purchases.

We were concerned that there would be a market shift from the retail service stations to card lock and key lock facilities as a result of that. And therefore we put the 200-litre minimum purchase rule in effect to help deter that shift. But we are convinced, upon consultation with the industry, that the 200-litre rule would create significant concerns for the industry, and therefore we are not proceeding at this time.

Mr. Krawetz: — Thank you, Mr. Minister. Mr. Minister, you've indicated that, in your fuel tax estimates, that the revenue that you will lose as a result of the rebate to farmers and primary producers is, for this budget year, is going to remain the same as last year's. Yet you've just indicated that the budget changed to an 80 per cent of consumption. Why did the number stay the same? Do you not anticipate to have less rebates?

Hon. Mr. Van Mulligen: — Maybe I could let Mr. Rog deal with that specific question.

Mr. Rog: — Mr. Chair, the 200-litre rule that was being looked at by Finance was basically an administrative measure. And we weren't contemplating any changes to the amount of revenue that would be collected or the amount of rebates that would be provided. So therefore the estimated cost or the estimated additional fuel tax revenue as a result of the changes to the farm fuel program will be unchanged as a result of this.

Mr. Krawetz: — I'm not quite following that. If we now are looking at an 80 per cent rule rather than a 100 per cent rule which was in place last year . . . and last year, as I look here, it says that the rebate to farmers and primary producers was \$1.3 million. And this year's budget is \$1.3 million, and you've implemented an 80 per cent rule rather than a 100 per cent rule. How did those numbers . . . why did they remain the same? I understand what you're saying about the 200 litre, and you're not following that procedure, so therefore retail sales or card lock sales will not change, and that won't be affected. However there still is going to be an 80 per cent figure for this current year that we're in; is that not true?

Mr. Rog: — The 80 per cent rule, yes, is in effect this year. But I'm not certain I understand your question with respect to the rebate.

Mr. Krawetz: — Will not the 80 per cent rule mean that farmers will receive less rebate for this year?

Mr. Rog: — That's right. Farmers will receive, basically farmers will be able to purchase 80 per cent of their gasoline upfront, tax exempt. So there won't really be, it won't affect their rebate.

Mr. Krawetz: — So at the end what you're saying then is that the program will still require farmers to apply for the additional rebate that they did not receive at the pumps.

Mr. Rog: — No. The 80 per cent rule, the changes that were proposed or made as part of the budget, provided for 80 per cent of the gasoline purchased by farmers to be purchased tax, basically tax exempt. The other 20 per cent, as the minister had indicated, would be subject to tax in recognition of the fact that some of the fuel used by farmers and farm vehicles are used on highways. So the 20 per cent, farmers will basically be paying tax on 20 per cent of their gasoline.

Mr. Krawetz: — Let's take that then back to last year. Farmers received a rebate on 100 per cent of the fuel . . . Sorry, your first name?

Mr. Rog: — Len.

A Member: — Mr. Rog.

Mr. Krawetz: — Mr. Rog, you've indicated that last year 100 per cent of the fuel, the farmers who were eligible received the rebate and the cost to the Department of Finance was \$1.3 million. This year, you've just indicated that 100 per cent has been changed to 80 per cent, and I understand the minister's explanation about why that's happening. And you're still anticipating that it will cost the Department of Finance \$1.3 million. My question is, if you were losing 20 per cent of your rebates, how can the numbers stay the same?

Mr. Rog: — Basically the rebates are with respect to last year's sales. The actual cost, the 20 per cent that farmers are going to be paying or the additional tax that farmers are going to be paying is reflected in the numbers, in the actual revenue figures that we've provided.

The rebate numbers, I think, that you're looking at, Mr. Chair, relates to last year sales, the amount that we expect to pay this year but for last year sales, prior to January 1, 2004.

Mr. Krawetz: — Thank you. And therefore then I would anticipate that we'll see a drop of 20 per cent in this number, next year's estimates.

Mr. Rog: — Yes.

Mr. Krawetz: — Thank you. Sorry for that. I didn't quite understand how the program was being applied and the fact that the budget item for '04-05 is dealing with the fuel consumption of last year. That's . . . And I thank you for clarifying that for us.

Mr. Minister, I'd like to move to another issue regarding pension indexing. I asked you a question, Mr. Minister, back in either the interim supply debate or maybe the last time we were in estimates, about the various superannuation programs and the indexing that is applied. And I want to thank your officials and

you for submitting to me the changes to the pension allowances for the last, you know, decades.

Mr. Minister, if I might to just get some more information, you noted in your document that you sent to me that on April 1, 2003, which is the last number that I have . . . Mr. Minister, I guess I'd first begin . . . On April 1, 2004, were there any changes?

Hon. Mr. Van Mulligen: — No, Mr. Chairman. And might I say that I'm joined now on my left by Brian Smith, who is the executive director of the Public Employees Benefits Agency.

Mr. Krawetz: — So if I was to update this form then, on April 1, 2004, it would be nil. And then I look at . . . Last year, April 1, 2003, the indexing that was applied to these various superannuation plans was 1.2 per cent.

Hon. Mr. Van Mulligen: — Yes.

Mr. Krawetz: — And I can't recall what the consumer price index was on average for the province of Saskatchewan, but I know it wasn't that number. Could you indicate how the department arrives at applying the number 1.2? Where did 1.2 come from? Is it based on a formula?

Hon. Mr. Van Mulligen: — Mr. Chairman, it's not a formula per se. It's simply a dedication in the budget to recognize some of the inflationary pressures that might be faced by superannuates and a need by the government, or a desire by the government, to reflect that.

Mr. Krawetz: — So, Mr. Minister, then could you indicate, as you've identified here, I believe, five superannuation groups that are subject to the decisions of cabinet as to what amount would be applied to their indexing? Could you indicate how many superannuates are included in these five pension groups?

Hon. Mr. Van Mulligen: — Mr. Chairman, as of February 29, 2004, the total number for the various plans would be 7,980 with the great majority of those falling in the public service. The pensioners from the public service is distinct to the pensioners from the Transportation Company, the Liquor Board, and the like.

Mr. Krawetz: — Thank you, Mr. Minister. Are these plans closed plans?

Hon. Mr. Van Mulligen: — These would be the defined benefit plans, yes.

Mr. Krawetz: — Mr. Minister, through Mr. Smith — I imagine who would answer this — as we indicate now . . . you've indicated that there are just under 8,000 people that are in these plans. Does this number change significantly from year to year? If I was to ask you about, you know, the statistics of the last five years, is this number dropping, you know, on a regular amount per year, or is it remaining very consistent?

Mr. Smith: — Mr. Chairman, it's going to remain pretty consistent, but it's slowly growing. And I think about the year 2014 we'll start to see it decline. So we're going to see nominal increases until about 2014, and then the number of pensioners

will decrease.

Mr. Krawetz: — And I take it, Mr. Minister, that . . . or, Mr. Smith, that that is due to the fact that the pensions changed in the year 1979, so you're anticipating that's 1979 plus 35 years is approximately the year 2014?

Mr. Smith: — Correct.

Mr. Krawetz: — Okay. Mr. Minister, obviously the 8,000 people in these plans have expressed their concerns . . . and I know you've answered this question before regarding the priorities of government and the availability to deal with all of the needs.

One of the things I think that many of the individuals who are members of these plans, while they want to see indexing . . . and indexing of all pension plans, not just those that were successful in negotiating them, but they wanted to see indexing applied. But they were at least pleased to see that the indexing of personal exemptions was going to be in place, and now as indicated in the budget that that provision is now not a one that will necessarily take place each and every year. It will also be, I guess, similar to the indexing of these pensions.

What response do you give to individuals who see their pensions not increase and their cost of living increase and as a result in fact will continue to lose money as taxes take more and more of their revenue?

Hon. Mr. Van Mulligen: — All I can say, Mr. Chairman, that in future years as we review our budget and the funds that we have available to us, that we will certainly take into account the situation of our retired superannuates. And we will do the very best that we can to provide additional support for them but that we also have to weigh that support against all of the other priorities that we have in government — whether it's to maintain rural hospitals or nursing homes, or whether it's to provide for expansion of schools. These are all the other priorities that we have to consider in weighing the needs of the superannuates.

We have, I think, done a reasonably good job of providing some additional funds for the superannuates over the course of the years. One never likes to be in a position where we were this year — where, I believe, the budget situation was tight, and I think I used the words tough on budget day — that you're in that kind of situation. But we're ever hopeful as we go into the future that we will have some flexibility there, but I cannot guarantee anything at this point.

Mr. Krawetz: — Thank you, Mr. Minister. Mr. Minister, have your officials calculated for the upcoming year of 2005 if we, if you were to have implemented an indexing of the exemptions for the people in the province based on the cost of living — and I'm assuming the cost of living for this last year was 2.3 per cent — what amount of money for those people who pay income tax obviously, what amount of money would that have saved you by the fact that you are not going to index the exemptions for 2005?

Hon. Mr. Van Mulligen: — You're talking about the indexation in the . . .

Mr. Krawetz: — Personal exemptions.

Hon. Mr. Van Mulligen: — You're talking about the indexation in the personal income tax?

Mr. Krawetz: — Correct.

Hon. Mr. Van Mulligen: — I think the amount of money is not a great amount of funds, but maybe Mr. Styles or . . .

Mr. Styles: — Our calculations are about \$8 million per percentage point. So depending on what you assume in terms of CPI (consumer price index), etc., okay, and when you implement it — a partial year would obviously be less — but it's about \$8 million per percentage point.

Mr. Krawetz: — Per percentage point of consumer price index then?

Mr. Styles: — Yes.

Mr. Krawetz: — So if I'm looking at 2.3 per cent, then you're saying 2.3 times \$8 million is roughly \$18 million? Okay.

Mr. Minister, and I don't recall this number and maybe your officials have it with you for . . . I asked a question a couple of years ago, I believe, when we were moving to the different taxation levels — the three levels — as to, at the lowest level, if we changed the exemption by \$1,000, there was going to be a certain cost. Do any of your officials have that number with them today?

Mr. Styles: — If I can refer you back to the package that I provided you with earlier, on the front page of the package underneath the suggested response, the value of a \$1,000 change and the value of Saskatchewan's basic personal and spousal or equivalent tax credit amounts is estimated to be about 50.2 million.

Mr. Krawetz: — I thank you, Mr. Styles. I haven't had a chance to read the package so I apologize for asking a question that I already had the answer to. So if we're expecting a \$1,000 change in the basic exemption to be a cost of 50.2 . . . Two point three per cent of 8,000 — I think we're at an 8,000 or \$8,200 exemption today — that's about 180, \$190. That's not even 20 per cent. So I'm not . . . I don't know that the numbers of 18 million are going to match on your suggestion here that it's \$50 million for a full 1,000.

You see what I'm suggesting, Mr. Minister, is that for a \$1,000 exemption, we're expecting that if that would change by \$50 million worth of loss of revenue, and if we apply 2.3 to the current exemption, I'm just trying to make a correlation as to whether or not the \$18 million is accurate.

Hon. Mr. Van Mulligen: — Mr. Chairman, I'm joined by Kirk McGregor, the assistant deputy minister, taxation and intergovernmental affairs branch. And I want to ask Mr. McGregor to respond to the member's comments.

Mr. McGregor: — Mr. Chair, the cost of \$8 million would include indexing all aspects of the Saskatchewan income tax system, so it would be the basic personal exemptions. It would

include the spousal, the dependent child, the seniors supplement. It would include changing the brackets as well — moving the brackets up. And, Minister, I could share with you the list of items that would be exempted or that have been exempted under the system to give you even more of a flavour of what would be included.

Mr. Krawetz: — Thank you, Mr. McGregor. I can see now that the second part of the document indicates that the dependent child tax credit, a change of \$1,000 there, is 17.6 million. So when you start to add up the extra components that you have referred to, then the 2.3 per cent over all of those exemptions will probably translate into that number — somewhere between 15 and 20 million. Thank you. I appreciate your comments.

Mr. Minister, still dealing with pensions — and I know your officials may play musical chairs here — but, Mr. Minister, in the document that we see for the first time now that we've switched to summary financial budgeting . . . And if you would just bear with me while I get my documents. The General Revenue Fund statement for pensions as indicated on page 79 of the budget and performance plan summary under the category of liabilities, we see a number for pension liabilities. Pension liabilities for 2004 was estimated at \$4 billion and the estimate for '05 is increased to \$4.1 billion.

Could I have your officials explain to me and to the people of Saskatchewan what liabilities or what groups continue to contribute to an increasing liability that is there, and whether there is any concern as to if some of this liability is, in fact, unfunded. We have always heard the concern about unfunded pension plans and whether or not the financial changes that have occurred in the last two years where pension funds took a beating. And I know your fund and my fund, Mr. Minister. We didn't do so well in the last year in terms of a return. And there were many funds that were identified in the nation as being unfunded.

And I wonder if I could get an explanation as to why is this pension liability growing from 4 billion to 4.1, and whether or not there is any concern on the part of you as minister and your officials as to whether or not there's some unfunded concerns.

Hon. Mr. Van Mulligen: — There's probably a number of answers and some may be actuarial. And I'll get the . . . see who wants to take a go at this.

Mr. Paton: — The primary reason for the increase in the unfunded pension liability is the fact that while these plans are closed plans, we still have active members in the plans. So they are earning benefits as they work today.

The change in the liability is a result of the benefits that are being earned by those members exceeds the actual cash payments that we're making to retired members. So as that liability grows, it's a reflection of the fact that the current members are earning more benefits than what retired members are getting paid.

Mr. Krawetz: — Thank you, Mr. Paton. Mr. Paton, I don't have my Public Accounts document with me from last year, but I believe in there it indicated what pension groups were included. Could you indicate to me how many groups were

included in this category and who were they?

Mr. Paton: — Yes. The two primary groups are the Teachers' Superannuation Plan and the Public Service Superannuation Plan. They include almost the majority of the liability. The total liability of almost \$4 billion, all but \$80 million of that relates to those two large plans.

Mr. Krawetz: — Mr. Paton, I know that Public Accounts Committee has had presentations, I'll refer to them as actuarial presentations, from Mr. Styles and others. Is there any concern that the public should have regarding whether or not the pensions are funded or unfunded — that liability?

Hon. Mr. Van Mulligen: — There are two ways to approach that. One is that one could fund the liability by, I suppose, borrowing the money to set it aside for that purpose.

The other way to do it is the way in which we do it and that is to, every year, estimate the amount that we will require to meet our obligations under the pension plans and then to expense that in that year. And that's the way we're doing it. So there are two ways to do it. The auditors would suggest that we should do it perhaps in a different way than we are doing it. But we're satisfied, based on the fact that we have been doing it now for forever, it seems like, this way; that we are meeting our obligations and those obligations are fully disclosed.

Mr. Krawetz: — Thank you, Mr. Minister. And I think many people are expecting government to ensure that the obligations are met, and if they're met through the General Revenue Fund, that's something that I guess the future taxpayers are going to have to keep contributing to ensure that they're met.

One of the concerns that I have is — and I've expressed this to the Minister of Learning a number of years ago — is that the Teachers' Superannuation Plan, the old . . . I'll refer to it as the old plan of course because it's the one that, as indicated by 2014, I think Mr. Smith has indicated, that we shouldn't see too many more teachers joining that plan. And currently, your document indicates that there is an expenditure of \$62.7 million for that line item, and that's on page 111 if you want to look at your Estimates document. I know one of your officials will probably want to make a comment here.

So as this moves through, as we move through the next 10 years, because this is '04, and in 2014 the last contributions from people who are active in the field of teaching will finish — there will not be any more contributions — there is some suggestion that to maintain the payouts then from the General Revenue Fund for teachers that will then be collecting from this pension fund, may be exorbitant. It may be something in the area of \$300 million, I've heard.

Is that in fact a possibility, that when there is no further revenue coming from the teachers that are in this plan, because they've all retired on 2014, there will be no new teachers, or there will be no active teachers in this pension plan, that in fact to maintain the actual payments that will be needed for the Teachers' Superannuation Commission, that the General Revenue Fund is going to have to have a number in here that may be as high as \$300 million? Is that correct?

Mr. Styles: — You may remember we did a presentation about three years ago, I think, and provided the actual documentation to the members of the committee. We have done projections on what the numbers may look like in the out years. If you go out as far as 2027 for instance, the size of the payment potential looks like it would get into the range of about \$200 million. So there's little doubt that it will increase over time. It is the rate of growth in comparison to our own revenue growth that really becomes the salient issue, okay.

And if you like, we can provide you another copy of the presentation. Again, it's a bit dated but our revenue growth continues to match up quite well with the growth in the pension obligations. And in point of fact, it never reaches more than just under 4 per cent of our overall revenue stream. This is something we do follow on a fairly regular basis, do have a very close look at. And it is of some interest, especially to the credit rating agencies. They want to understand your out year obligations.

So again, the payments do increase but if you look at it from, again from the perspective of inflation and the growth in our own revenue, okay, it's well manageable within our projected revenues.

Mr. Krawetz: — Thank you, Mr. Styles. And one further question on this pension issue. You've indicated that there was that study done. Is your department looking at a study — two years from now, three years from now — to ensure that, you know, the investments that we saw, the lack of revenue from investments, as to whether or not that actuarial study does not become so outdated that it's irrelevant?

Mr. Styles: — I believe all of the pension plans are required to do actuarial studies, I think, once every three years. There are guidelines in place, okay, through the superintendent of pensions, as I remember. And so they're obligated to do that. We do examine those actuarial evaluations on a regular basis. And we don't do a full update of our own projections, you know, every third year, but we look at it on a regular basis and, again, continue to discuss it with the rating agencies. So it is something we keep a very close eye on.

Mr. Krawetz: — Thank you, Mr. Styles. And, Mr. Minister, I know we have just a few more minutes and I'd like one area to . . . to explore one other area because I know you have officials here that may be able to help me and the people of Saskatchewan get a better understanding of the documents that the auditor provides and what documents that you have provided to us in the summary financial statement — and that's regarding liabilities.

And because we're now looking at summary financial documentation — and I refer to page 79 in the summary document that you provided to us — you indicate that the liabilities of the Government of Saskatchewan are \$17.3 billion, of which other liabilities make up a portion of that amount. And that amount from other liabilities is \$1.168 billion.

The question, Mr. Minister, is that we receive an auditor's report annually called *Understanding the Finances of Government*. And in that document, the auditor pegs the government's liabilities for the year ended March 31, 2003 at

\$20.6 billion. Now the question is that there is a difference of numbers here of about \$3.3 billion.

Now I've looked through the amount of money that's set aside in your document for the GRF (General Revenue Fund) debt, and the Crown Management Board debt, and the pension liabilities, and all of those numbers match the auditor's document. We see \$11.7 billion for both the General Revenue Fund and the Crown debt. We see a number of \$4.0 billion for the pension liabilities, but the difference is in this category called other. Other liabilities according to the auditor are \$4.9 billion, and according to your document they're \$1.1 billion.

So there's obviously, as we've talked about, generally accepted accounting principles that must be different from what the auditor is doing and what your department is doing. Could you explain why there is such a difference, and whether or not the real, the real liability of the province of Saskatchewan, is it \$17.3 billion or is it \$20.6 billion?

Hon. Mr. Van Mulligen: — It's fair to say we each have different perspectives on the liabilities, but for the details on that maybe I'll let Mr. Paton take a run at that one.

Mr. Paton: — Thank you, Mr. Chair. To fully understand the issue that you've asked, you have to look closely at the public accounts in the province of Saskatchewan and those public accounts are actually reproduced in the back of the Provincial Auditor's document that you're looking at there.

Included in the public accounts are the summary financial statements of the Government of Saskatchewan and these statements are produced, as we've talked about earlier, on using generally accepted accounting principles, and those statements are audited and agreed to by the Provincial Auditor. If you look at the statements at the back that I've referred to on page 45, you'll see that for year ended March 31, 2003, the liabilities and payables approximate \$1.6 billion on that statement.

When you turn to page 61 of that same document, you'll see that there's liabilities and payables of certain Crown corporations that approximates \$3.3 billion. So it's the combination of these two numbers that the auditor's presented, and as you can see these two numbers, the 1.6 billion and the 3.3 billion, add up to the 4.9 that you're referring to in the Provincial Auditor's report.

The other liabilities that you see in the budget document that you referred to, they're presented on a similar basis as we do for our audited financial statement. So the detailed financial statements and the budget are generally on the same basis when you look at the liabilities.

The information that the auditor provides is prepared in a manner that he believes is useful to the reader. This information, as I pointed out, is derived from our financial statements, but provides a little bit different perspective on it. Unfortunately when you provide information that's on somewhat of an inconsistent basis with generally accepted accounting principles — the same principles that Saskatchewan and all the other provinces follow — there's likely to be some confusion.

So we have followed generally accepted accounting principles in presenting our financial statements and the budget documents. The auditor is simply slicing the picture a little bit different to give the public a different view of those numbers. Unfortunately it does result in some confusion.

Mr. Krawetz: — So, Mr. Paton, then is the real liability to the people of the province of Saskatchewan 20.6 billion or 17.3?

Mr. Paton: — I'll say it's the 17 number and I'll explain that. What we've got is a situation where the auditor has chosen to display some of the liabilities of the Crown corporations. He hasn't chosen to similarly display the assets of those Crown corporations, and I'm talking primarily the major Crowns like SaskPower, SaskTel, and SaskEnergy.

Those numbers, in the audited financial statements that the auditor agrees with, are netted out such that there is a net asset, an net investment in those corporations. So the liabilities that the province is responsible for is the lower number.

Mr. Krawetz: — My final question then is, if the other liability of \$1.1 billion is accurate, from these summary financial documents at the back where will I find that number? Could you point me to the page?

Mr. Paton: — Yes, I can. If you turn to I believe it's page 45, which is the auditor's reproduction of our audited financial statements, there's actually three lines that add up to the balance at March 31, 2003 — accounts payable of 1.271, 149 million of other liabilities, and 219 of unearned revenue. Those three numbers add up to 1.3 billion, and they're the comparable number that's being presented for the forecast that you see in the budget of 1.1 billion. It's those three lines.

Mr. Krawetz: — Thank you, Mr. Minister, for your questions . . . for your answers and to your officials for being patient with me and getting me to better understand this document. I appreciate your answers. Thank you.

The Chair: — Thank you very much, members of the committee. The hour being past 5 o'clock, this committee stands adjourned.

The committee adjourned at 17:03.

