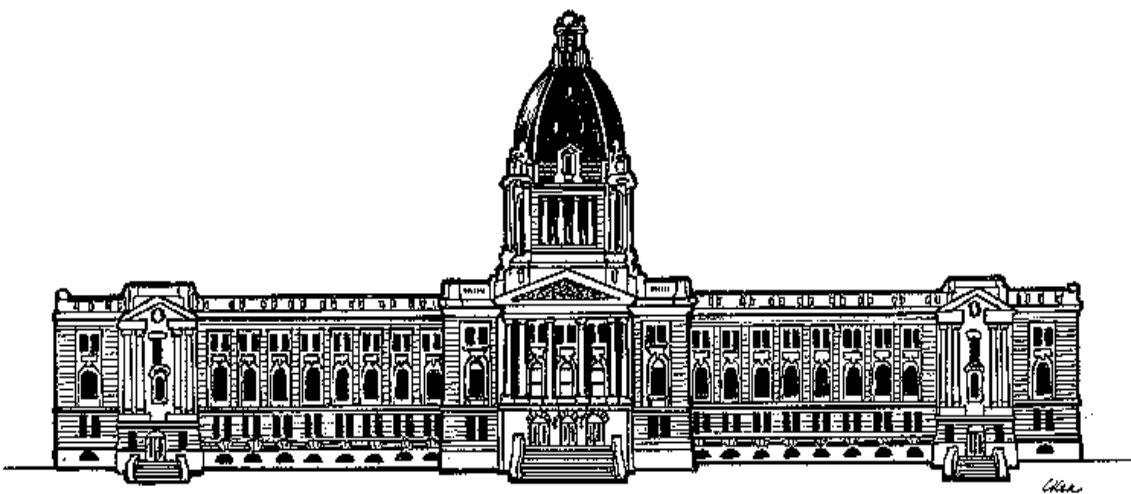




STANDING COMMITTEE ON THE ECONOMY

Hansard Verbatim Report

No. 34 – November 29, 2006



Legislative Assembly of Saskatchewan

Twenty-fifth Legislature

**STANDING COMMITTEE ON THE ECONOMY
2006**

Mr. Kevin Yates, Chair
Regina Dewdney

Mr. Randy Weekes, Deputy Chair
Biggar

Ms. Doreen Hamilton
Regina Wascana Plains

Hon. Deb Higgins
Moose Jaw Wakamow

Mr. Delbert Kirsch
Batoche

Mr. Eldon Lautermilch
Prince Albert Northcote

Mr. Lyle Stewart
Thunder Creek

[The committee met at 15:00.]

**General Revenue Fund
Supplementary Estimates — November
Saskatchewan Infrastructure Fund
Vote 78**

The Chair: — All right I'd like to bring the committee to order. The items before the committee today are the supplementary estimates for the Department of Finance. Saskatchewan Infrastructure Fund, vote 78, will be our first order of business.

We have today chitting in on the committee Mr. Cheveldayoff for Mr. Stewart. We have Mr. Borgerson chitting in for Mr. Lautermilch, and Mr. Nilson chitting in for Ms. Higgins.

Mr. Minister, would you kindly introduce the officials you have with you today and make any opening statements you would choose to make.

Hon. Mr. Thomson: — Thank you very much, Mr. Chairman. I am pleased today to be joined by a number of officials. If I might, I'll just introduce them all now, and as we're requiring them, we'll call them forward to assist us.

Sitting to my right is Doug Matthies, the deputy minister of the department . . . excuse me. To my left is the assistant deputy minister for taxation, intergovernmental affairs, Kirk McGregor. Behind me is Karen Layng, the assistant deputy minister responsible for the treasury board branch. Seated next to her is Rob Dobson, the director of the revenue division. Seated next to him is Doug Lambert, the director of the revenue division. Next to him is Brian Bettcher who is the director of treasury board branch. And finally, last but not least, is Arun Srinivas who is the senior analyst for taxation and intergovernmental affairs branch.

I think I have brought the brain trust of our organization here to assist today on any tough questions that might be asked.

The Chair: — Thank you very much, Mr. Minister. Do you have an opening statement you'd like to make, or should we just open the floor to questions.

Hon. Mr. Thomson: — I don't have an opening statement. There's a number of these issues that relate to the ministerial statements and announcements we've undertaken in the last several weeks, related to the mid-year financials, and I'd look forward to answering whatever questions.

The Chair: — Thank you very much, Mr. Minister. I'll open the floor to questions. Mr. Cheveldayoff.

Mr. Cheveldayoff: — Oh thank you, Mr. Chair. Thank you to the minister and his officials for braving the cold and shovelling through the snow and making their way here to the legislature today. I look forward to an exchange on some Bills that are very important to the province of Saskatchewan.

Starting on the infrastructure fund, can the minister indicate why the government chose to create the fund as a separate cash fund? I think many people were taken by surprise in the

creation of this fund, and if the minister could just outline the reasons why this particular fund was created the way it was.

Hon. Mr. Thomson: — Mr. Chairman, there were really two objectives that we had. One was to establish a multi-year fund. We wanted to be able to deal with, have a mechanism that we could, over a number of years, contribute to infrastructure support in the province.

As members will know, our revenues fluctuate to a greater extent than most provinces as a result of our dependence on resource revenues. When the resource prices are up, it seems like an opportune time for us to make an investment in advance of potential drawdowns in areas like infrastructure.

The second reason that we focused this on infrastructure is we very clearly understand that this is one of the pressure points within the province. And part of what we need to do as we're dealing with infrastructure is to balance out the capacity of provincial businesses to provide the construction that's associated with it, and then our ability to provide that stable level of funding.

This basically provides us with a levelling mechanism so that we can increase the amount of funding available. These are really the two key reasons for doing this.

Mr. Cheveldayoff: — Thank you, Mr. Minister. The mid-year financial update indicates that \$20 million has been allocated to the Department of Culture, Youth and Recreation for the building communities program under the infrastructure fund. Yet the mid-year financial statement also indicates the government will transfer an additional \$80 million to the infrastructure fund this year. Can the minister explain why the government has chosen to allocate part of the funding directly to the department with the remainder going to a separate fund?

Hon. Mr. Thomson: — This is a very good question. It is in fact a feature of the way the fund will work. We will transfer money into the fund as we are able to afford it. And then on an annual basis, money will flow from the fund to various departments to be used on their allocations. In this particular case, we have indicated that over the next three years we'll be looking at spending about \$100 million on the building communities program which will be through the Department of Culture, Youth and Recreation. This year the allocation is 20 million, next year it'll be 40 million, and the year after it will be 40 million, is our anticipated draw down of that. So in each of those years you'll see a special allocation from the fund to, in this case, the Department of Culture, Youth and Recreation.

The only thing I would add to that is it need . . . the infrastructure fund is different than the community builds program in that in future years we may decide to put additional money in that may well go to post-secondary education or highways and transportation or other departments for their use. But in this particular case, the 100 million we've allocated is targeted for Culture, Youth and Recreation.

Mr. Cheveldayoff: — Thank you, Mr. Minister, that's getting to my next question, I guess, if you are anticipating using this type of style of fund for any other capital type programs. So am

I correct that I hear you say that you are indeed considering using this model for other capital expenditures in other departments?

Hon. Mr. Thomson: — This model would work for other groups. At this point, our allocation, we believe the 100 million will be completely absorbed by Culture, Youth and Recreation over the next three years. But yes we could in future years allocate parts of the surplus to this fund for use by the departments.

Mr. Cheveldayoff: — Thank you, Mr. Minister. Mr. Chair, the government has increased the provincial government's net debt to cash fund the Fiscal Stabilization Fund. Will the government incur any debt through this decision to cash fund the infrastructure fund?

Hon. Mr. Thomson: — No, we will not.

Mr. Cheveldayoff: — So they'll be no debt increase?

Hon. Mr. Thomson: — The answer is no. We are not borrowing in order to create the infrastructure fund.

Mr. Cheveldayoff: — Okay thank you, Mr. Minister. How does the government intend to operate the infrastructure fund once its planned three-year schedule of funding infrastructure projects is concluded? What's your intention with the fund beyond the three years?

Hon. Mr. Thomson: — We would look at the fund as being a — I wouldn't describe it as a permanent feature — but a long-term feature of the public accounts of the province. This fund will not, will not cease in three years. Our expectation would be, if resource prices stay good and we are in a position to contribute future surpluses to infrastructure, we may well continue it on for many years to come.

It essentially provides us with a balancing mechanism to go forward. And there's . . . I think we could each come up within our own communities examples of where we may want to provide cash funding this year because we've got the resources, even if that money's not spent out for two or three years. So it allows us to essentially cushion some of the capital needs.

Mr. Cheveldayoff: — Thank you, Mr. Minister. Mr. Chair, the minister indicated earlier that money may go into the fund, at particular times may come out of the fund. Do you anticipate any additional money going into the fund in the remainder of this year or in the next fiscal year?

Hon. Mr. Thomson: — For the remainder of this year I would say at this point the answer is no. We'll have a better idea as to whether we want to make an additional contribution as we get a look at the year-end. One of the possibilities would be at year-end to put additional money into it. That's not our anticipation. Our anticipation is that it will be \$100 million for this fiscal year. For next year we have not yet made a decision as to whether there would be additional funds put in. So we'll take a look at that as we go through the budget cycle, and we'll make members aware of that in the spring budget.

The Chair: — Thank you, Mr. Minister. Are there any

additional questions?

Mr. Cheveldayoff: — Thank you. To the minister . . . And I'm sorry; I heard his answer for this year, but for the next fiscal year, are there any anticipated extra revenues going into the fund?

Hon. Mr. Thomson: — We haven't made a decision about it at this point. As the member will know we are currently going through the budget cycle, and we'll need to make a decision in the context of the provincial budget. If there were additional funds going in, we would indicate that in the provincial budget next year.

Mr. Cheveldayoff: — Thank you, Minister. Mr. Chair, will the fund be administered as a stand-alone entity? Could the minister elaborate on exactly how the fund will be administered? Will communities apply directly to the fund?

Hon. Mr. Thomson: — The fund is different than the building communities program, and so the fund will be administered by the Department of Finance. An allocation will be made annually out of this fund to the department through the estimates. And there are in fact supplementary estimates in front of the legislature today dealing with Culture, Youth and Recreation. It will be their responsibility to then manage the program.

So if we were to think forward — say two or three years — if there were more money in the fund, if we decided to increase more money, it could well be that the fund is being used for programs in two or three different departments. Each of those departments would be responsible for administering their own program and for allocating those funds. The Department of Finance's responsibility is the investment and management of this fund, but the program responsibility lies with the individual departments.

Mr. Cheveldayoff: — Thank you to the minister. So you see this as an annual allocation to a department with the possibility of other departments being in receipt of funds on an annual basis. Is that correct?

Hon. Mr. Thomson: — Yes, I would see this as an ongoing annual expenditure that we would continue to have the fund. I would anticipate in future years, if resources permit, that we would provide additional funds into the infrastructure fund which could then be targeted to other departmental programs for long-term infrastructure.

Mr. Cheveldayoff: — Mr. Minister, will you be investing the assets of this fund in a way that is a benefit so that there's no actual detriment to the overall provincial finances? Would you care to elaborate on the rate of return that you expect and how you expect to operate the fund in that manner?

Hon. Mr. Thomson: — Yes, I appreciate this line of questioning. It's similar to what the member was asking in the Assembly through written questions that I think we answered yesterday. We are in fact expecting to do, to manage the fund. We can go through each of the individual questions, but they've been tabled and are showing up in the routine proceedings today.

Mr. Cheveldayoff: — Well if the minister wouldn't mind just going through the information.

Hon. Mr. Thomson: — Okay, so we were asked about whether or not we were going to manage the fund or deal with it through an out-source basis. It is our intention to deal with this through the Department of Finance. The question was asked about our expected rate of return on investments . . . sorry, those respond to the Fiscal Stabilization Fund. The fund is essentially going to be managed internally. We'll continue to deal with it on short-term investments, as we see an opportunity.

Mr. Cheveldayoff: — So you see the need for investments to be short-term and very, very liquid. Would you see any of those investments in a longer term scenario, or would they entirely be of short-term investments that could be cashed in at a moment's notice?

Hon. Mr. Thomson: — Well we need to obviously match the anticipated cash flow of the fund. This year we know we'll be drawing down \$20 million of the 100 million. That would leave 80 million for investment over the next two years. Obviously 40 million of that is our anticipated drawdown the year after. So we'll need to manage the fund to meet the anticipated cash flow.

Mr. Cheveldayoff: — So your intention is to manage those funds to meet those 20, 40, and \$40 million targets; is that correct?

Hon. Mr. Thomson: — That's correct.

Mr. Cheveldayoff: — What will the government do with the interest generated by the capital in the fund? Will it go to general revenue, or will it stay in the fund? Can you outline your thoughts on that?

Hon. Mr. Thomson: — It will go to the GRF [General Revenue Fund].

Mr. Cheveldayoff: — Thank you, Mr. Minister. There are many, many questions by many, many individuals about this fund, and we continue to hear from communities across the province and wanting to gain further knowledge. One of the main questions that they're asking at the present time is about the qualifications and how people would qualify for the fund itself, and communities. And can you tell us if projects underway presently will be able to qualify for the fund?

Hon. Mr. Thomson: — I don't have responsibility for the building communities program. Those questions would be better addressed to Minister Hagel through Culture, Youth and Recreation.

Mr. Cheveldayoff: — Well the concern I guess with the questioning is that there were very little answers offered by the minister when asked in similar-type committees, so I was hoping that the Minister of Finance or his officials could shed some more light on them. Is there any comments in a general manner that the minister could make?

Hon. Mr. Thomson: — My understanding is that Minister Hagel will make an announcement in the coming weeks about

eligibility criteria for the building communities fund. And the questions pertaining to his department's thinking around eligibility really should be addressed to Culture, Youth and Recreation and might well be best addressed when they appear on their supplementary estimate.

Mr. Cheveldayoff: — Again, Mr. Minister, those questions were addressed, and there were some concerns about the lack of direct answers. But I think that's all the questioning that I have at the present time, Mr. Chair, and I believe my colleague has some questions she would like to ask.

The Chair: — Thank you very much, Mr. Cheveldayoff. Ms. Draude, do you have some questions for the minister?

Ms. Draude: — Yes I have a couple of them, thank you very much. And to the minister, Mr. Minister, it wasn't too many years ago that a fund was set up by the government that was supposed to be a fund into the future. I think it was called the education infrastructure fund. This doesn't look to me like it's any different. This Saskatchewan Infrastructure Fund doesn't look a whole lot different than that original fund did. Can you tell me how it is different?

Hon. Mr. Thomson: — This fund is a more general fund. It allows us to use proceeds to go to a variety of different government capital projects, and will flow out through the estimates process to different government departments. It is a fund which is entirely cash financed. There is no debt financing to it, and it is a different fund in that nature. But the fund . . . the intention is to use it for long-term capital projects, certainly could use it for education or municipal purposes although in this case we're targeting 100 million to go for Culture, Youth and Recreation.

Ms. Draude: — And the entire 100 million that's in there right now will go to Culture, Youth, and Rec and I'm sure must be in . . . that's what the minister has been telling us. So then there is . . . if there's money that can be given to different projects, that would mean that the fund itself can be talked about under a number of different departments in the future. I know again going back to the education infrastructure fund, that there was the thought process and the belief that when that fund set up that it was going to be into the future and that people would be able to look at it as something that they could bank on. But then it disappeared, I believe, after four years. So I guess the concern from the people that I've spoken to is that is this going to be one of the funds that is here today and gone tomorrow?

Hon. Mr. Thomson: — It seems to me that one of the members that was pushing for us to abolish that fund was in fact the member who's asking the questions. So I'm sure she's not wanting to cast aspersions on us getting rid of that education infrastructure fund. This fund is designed for a different set of purposes which, although would be similar in terms of providing infrastructure support, it's a fully cash funded fund and will be able to be accounted for through its spending to government-based projects as opposed to necessarily all third party capital.

Ms. Draude: — The minister said that this fund disappeared because of discussions from people on the other side of the House such as myself. Does that mean that there the same type

of questions asked that this fund will be here today and gone tomorrow?

Hon. Mr. Thomson: — This fund will meet the needs that we've identified for it. The point at which it's deemed by members of the Assembly that the fund is no longer needing to continue, it will cease to continue, it will cease to continue. But our intention later on today will be to establish The Infrastructure Fund Act which will provide it in the years to come to be there if we want to use it as such. The amount of money that will go into the fund will depend on what our financial situation looks like on a year-to-year basis.

Ms. Draude: — Thank you, Mr. Minister. The Department of Culture, Youth and Recreation does not have any details on this fund, and you'd indicated that Minister Hagel would be making those decisions or will be having a news conference and outlining some of the criteria. One of the questions that I'm hoping your department will have some say in is how the fund will actually be administered. Will the administration of the fund, though it's paid out by your department, will there be a group of individuals in each department that is arm's-length or will be paid to actually determine where the grant money goes to?

Hon. Mr. Thomson: — We are only dealing with the fund itself, so our transaction deals with us moving money into the fund and then money from the fund to various departments. Program expenditures are the responsibility of the individual departments. And so the question the member's asking is a good question and one that really should be addressed to Minister Hagel.

Ms. Draude: — Is there a requirement for more staff in your department to handle this fund?

Hon. Mr. Thomson: — No.

Ms. Draude: — And the amount of revenues, my colleague had asked about the interest, and it was going to go into the General Revenue Fund. If in a year . . . Like this year, there is an indication there'll be \$20 million spent. If that \$20 million is not spent, will it remain in the fund, or will it go into the General Revenue Fund?

Hon. Mr. Thomson: — It would remain in the fund.

Ms. Draude: — So there's no fear then that if the number of applications that meet the criteria that could be laid out in the future does not . . . is not enough to spend the money, there would be more money spent next year, perhaps whatever the difference is making up to \$60 million.

Hon. Mr. Thomson: — Conceptually yes, I guess that's possible. Our anticipation is that the drawdown will be 20 million this year, 40 million next year, 40 million the year after. The decision about the overall value of the fund is set at 100 million. We're expecting the value of the program to match that. If for some reason, two or three years from now we find there's not as much take-up, then the program may well be reduced, but the money would stay in the fund for other purposes.

In the case that there's greater demand in the program, we could well add to the fund and create a fourth or a fifth year to it.

The Chair: — Thank you very much. Mr. Bjornerud.

Mr. Bjornerud: — Thank you, Mr. Chair. Mr. Minister, you've partially answered some of these questions, but I've had a call from Melville, the city of Melville who are also, as Moose Jaw and North Battleford and other communities, are very interested in what you're doing here because they're in the process of putting together a package to build a complex there too. So really looking forward to this.

I listened very carefully the other night when some of my colleagues were questioning Mr. Hagel and didn't get any direction on, you know, where we were going with this thing. In fact I almost got the feeling that nothing at this point has been put together on how this money will be set out and what the requirements will be.

The call this morning from Melville like . . . And I think my colleague, Mr. Cheveldayoff, asked the question. But if some of these projects are already underway, they're very concerned that they don't get excluded from the program because they've got some of this . . . especially the pre-work done in putting this package together. So I think that's a concern we have.

You've pretty well answered this, I think that it's actually not under your department; it's under another one. The reason I bring this forward, I think there's concerns out there that we don't stop a number of these projects on hold until, you know, . . . how it's going to work and how they have to . . . what hoops they have to go through to qualify for this money. So I think that's a concern a number of us have out there. And Melville's not the only part of my constituency that I think that's looking forward to applying for some of this money.

So I think that's a concern that I have, and I think maybe you've probably answered this. And we will be asking Mr. Hagel and waiting very patiently. But some of these communities I think are going to be somewhat impatient because they'd like to get going with these projects and of course wonder how they could qualify for money, so that's it.

Hon. Mr. Thomson: — I would simply take that as fair comment.

The Chair: — Thank you very much. Are there any further questions. Seeing no further questions, I'd like to thank the minister for his involvement in supplementary estimates.

Bill No. 2 — The Provincial Sales Tax Amendment Act, 2006

Clause 1

The Chair: — At this time we will move on to the next business before the committee, that being Bill No. 2, The Provincial Sales Tax Amendment Act, 2006. Mr. Minister, are there any additional officials or the same officials? Thank you very much. The same officials will be with us. Are there any questions about the Bill? Thank you. Mr. Cheveldayoff.

Mr. Cheveldayoff: — Thank you, Mr. Chair. To the minister, several questions regarding the decision on the PST [provincial sales tax], and I guess to begin with, if the minister could outline to us the decision process behind coming up with the two percentage point decrease? Did he consider one percentage point? And maybe just begin with that, why the two? And we'll start there.

Hon. Mr. Thomson: — We believe the 2 per cent was an affordable rate that we could look at. We were looking at a tax cut of about \$300 million as a result of stronger-than-expected corporate and personal income tax revenue this mid-year. I can tell members of the Assembly, we looked at a number of different options, not only in terms of different rates within the PST, but frankly different tax options. We considered options in income tax. We considered options in property tax, but ultimately decided that the PST was at this time the most equitable tax to cut and that 2 per cent was affordable.

Mr. Cheveldayoff: — Thank you, Mr. Minister. Well it leads into my other questions. You know certainly the Boughen report has talked about the need for a reduction in the property tax. And Mr. Boughen in his report outlines very clearly the impact of different taxes on people and different income categories. Could the minister elaborate on the discussions regarding the property tax and why in fact the property tax was chosen to not be reduced and the PST was chosen to be reduced?

Hon. Mr. Thomson: — The PST is essentially paid by everyone in the province. Because it is a consumption tax, there are very few people who do not pay some degree of it. Low income, high income — all pay a portion of PST. Now obviously the amount of PST that's paid will depend on what your purchases are. And so higher-income families obviously tend to pay, consume, more and as such will pay more sales tax.

Not everyone owns property, and I think that that is an important distinction. We wanted a tax cut that was fairly egalitarian, that touched as many families as possible, and as such we decided that the sales tax was a preferred option to the property tax at this time.

Mr. Cheveldayoff: — Well thank you, Mr. Minister, for that answer. I guess you know we've had discussions before about the impact of property taxes on individuals. And certainly I would make the point, as was made at a recent forum that the minister and I attended by the Realtors Association of Saskatchewan, that indeed you know property tax levels do impact on renters, and they impact on other individuals that may not be on title to the property but are certainly impacted. Would the minister agree that that's fair comment?

Hon. Mr. Thomson: — When we were looking for a tax cut, we were wanted a tax cut that was 100 per cent efficient. In particular we wanted to know that by cutting \$325 million, ordinary citizens, ordinary Saskatchewan families got \$325 million worth of tax benefit as well as businesses that would participate.

Property tax cuts exclude large segments of the population, and even in the rebate option, they are often not provided as rebates to renters. Simply because we cut a landlord's taxes doesn't

mean that they reduce the rent. And so while property tax is a factor in it, a property tax cut doesn't necessarily mean lower rent. And in fact I think we saw that with the last tax cut that there was not now in fact a downward trend on rent in the province. So we decided that the sales tax was a better tax to cut, that it was one that students and seniors and high-income and the low-income people would all be able to benefit from.

Mr. Cheveldayoff: — Thank you to the minister. If the minister was seeing additional revenue in the next few months here, would the next step be reducing the PST even further, or would it actually be looking at the long-term reduction of property taxes?

Hon. Mr. Thomson: — There's a number of factors which are complicating this. This is a good question to ask. I'm not quite sure at this point what we would do with additional revenue, for this reason. The federal government is looking at a number of changes, and obviously as they change their tax system, it has an impact on us. If for example the federal government were to embark on an income splitting regime that was not targeted entirely to seniors but was eligible to all people, that would have a very significant impact on our finances. We would need to then take a look at what else might be affordable for us, or whether we would need to do other things on income tax or compensate in other ways. So part of what we are looking at is trying to get a better understanding where the federal government may go.

But I think it's fair to say that it could well be an additional sales tax cut, we could look at additional property tax cuts. We could well look at further changes to the income tax system. There's merit to all three. I'm pleased that during this, this year that we've been able to cut corporate taxes, capital taxes, sales taxes, small-business taxes, income taxes. Have I missed anything? Oh and property taxes. So I think if it ends in taxes, we've cut it this term. And we'd look again at seeing which of those we should cut in order to stimulate growth and make sure ordinary families felt the maximum benefit.

Mr. Cheveldayoff: — Thank you, Mr. Minister. Certainly very interested in hearing the government's answers and the minister will know that I've asked a number of questions through the House about the income splitting proposals and some very, I would say, innovative ideas coming from the federal government about what would, you know, may happen in a future budget.

I think it's prudent that we discuss those issues now and look at the effect that they would have on the provincial treasury. Indeed the decision to income split for seniors, I believe, causes a bit of a dichotomy in how taxes will be calculated, and can the minister elaborate at this time on any work that has been done to this point on the income splitting itself?

Hon. Mr. Thomson: — I'm advised that on the income splitting announcement by the federal government that we're expecting the impact to the treasury to be about \$10 million in reduced revenue as a result of the seniors' portion. If the federal government were to announce a broader regime, it would obviously have an additional impact. But we don't control that part of the tax data, so we really do rely more on the federal government to assist us in modelling some of these.

I know the member has a question in front of the House. I'm not sure if we will be able to provide a very fulsome answer at this point, except to say that obviously we're working through it to try and get a better understanding as to what the impact would be.

That being said, I'm not, you know, reading the tea leaves of the federal financial mid-year report as much as anybody else. I didn't get a sense in that report that the federal Finance minister was considering a dramatic change in the way the income tax system was structured, but we'll have a better idea I think once we have the ministers' meeting on the 15th in Vancouver.

Mr. Cheveldayoff: — Thank you, Mr. Minister. Would you agree though, if the federal government does indeed decide to proceed in this manner and allow income splitting for all families, would that indeed put pressure on the provincial government to comply? I know we've got other Bills before us here that are more of a compliance in nature. Would it be fair comment that the provincial government would strongly consider moving in that direction as well, taking the lead in fact from the federal government?

Hon. Mr. Thomson: — Well the NDP [New Democratic Party] administration, certainly since the time that Minister Cline was the Finance minister, has opted for an income tax system that is relatively simple, that we have tried as much as possible to match up with the federal program.

But we differ a little bit from the federal government's approach in this last budget on a couple of areas. They have essentially muddied the system with a number of kind of boutique credits that they've introduced. So the sports tax credit, which is a good initiative for the federal government to have, doesn't really match up with our view which is you should have relatively low rates, relatively simple system, and relatively broad brackets.

And so we would prefer to maintain the integrity of the system in that. And we'd have to judge how the federal changes fit into that. It may well move us in the same direction, in which case we would strongly consider it. If it didn't, we'd need to consider what worked best for Saskatchewan families. It's just too early in the discussion to really tell what the impact would be.

Mr. Cheveldayoff: — Thank you, Mr. Minister. Getting back to the PST cut and the sustainability, and I know the minister answered several questions by the media regarding the sustainability of the cut over future years. Can the minister just outline his thoughts again for this committee on this sustainability and the effect of that sustainability if non-renewable resource revenues were in effect to decline substantially?

Hon. Mr. Thomson: — When we were taking a look at the mid-year financials, one of the things that became very apparent to us is that the strong economy that we have today is creating more business profits, more corporate income, and more personal income because there's a record number of people working in the province. So what we have seen as a result of that, obviously one of the beneficiaries is the provincial government through increased revenues.

We believe that given the strength of the economy today, that simply with those two categories being up — corporate income and personal income being up — that we can afford to do a sizable tax cut. This is what really allowed us to do the \$325 million PST cut. And we believe it is sustainable due to the continued strength of the provincial economy. So in fact it is not dependent upon resource revenues.

And I think that that's one of the things we've tried very hard to differentiate are the resource revenues which we view as largely windfall and one time above a certain base — and we can debate what that base is — and what we would consider the more sustainable tax revenues, the ongoing tax revenues, from for example corporate income or personal income. And that is why we took a look at this and decided that the PST was really a good tax for us to cut at this point.

Mr. Cheveldayoff: — Thank you, Mr. Minister. As you indicated the PST cut is \$325 million annually. I believe 136 million of that is booked this year, and so the incremental costs next year would be \$189 million. And the corporate tax cuts are \$155 million annually I believe, with 95 million booked this year, so approximately 16 million, so a total drop in tax revenue of approximately \$250 million. First of all, does the minister agree with my figures, and can you just outline what you expect total tax revenues to be in the coming year?

Hon. Mr. Thomson: — Those particular measures, the member would be right. Of course we've obviously also made a very sizable cut to property tax this year which the member will be aware was in the spring budget, although it was announced in February. That was a very sizable cut to taxes. And we are expecting, of course as the member has indicated, that the capital tax cuts and the corporate income tax cuts as well as obviously the small-business tax cuts too as they go forward, have a more significant impact on the treasury.

Mr. Cheveldayoff: — Can you outline what you believe the total tax revenues will be in the next year? Will they be increased? Decreased?

Hon. Mr. Thomson: — It's a little too early for us to give that information. We probably won't have a better idea until third quarter or as we head into the provincial budget. But the member will see the general trend lines as we do and can draw from that whatever conclusions he wishes I guess.

Mr. Cheveldayoff: — But it's safe to assume then that we'll have some additional information at the third quarter report that would reflect on this.

Hon. Mr. Thomson: — Yes, the third quarter of course will provide a snapshot of where we're at at that point. And we'll have a better understanding of where the personal and corporate income is at, where the other tax measures are at, and obviously what's happened with the resource side. So it will provide us with another snapshot. We don't at this point have much better information to provide than the mid-year.

Mr. Cheveldayoff: — Can the minister just outline to the committee the decision to reduce the PST mid-year. It wasn't done as part of the mid-year financial statement, and you know of course, it wasn't announced in the budget. It wasn't even

really in the Throne Speech. Can the minister outline the decision making, why specifically it was chosen to be done on a particular day?

Hon. Mr. Thomson: — I wanted to announce this as soon as possible in the fall session, and so the second day of the session seemed to be a good day to do it. My view was, why wait? And I didn't think it was that we should wait until the provincial budget to do it. This was good news. It was something Saskatchewan people should benefit from as soon as they can. So I was very happy to do it on the second day of the Assembly.

I had waited for us to get the Assembly back in because I do believe that it's important that tax measures are announced in the Assembly. I think that is maybe an old-fashioned idea, but it is one that I still believe is important, that tax measures should, where possible, be announced in the Assembly first.

Mr. Cheveldayoff: — Thank you, Mr. Minister. I just found it very strange that the Speech from the Throne was one day and no real . . . It wasn't alluded to in the Throne Speech about this coming and then the next day we have this tax cut. I've actually heard rumours that this decision was made on a Monday and was enacted on a Thursday and that the printing of the information wasn't even able to be done on time. Could the minister confirm that those rumours are indeed true?

Hon. Mr. Thomson: — I can assure the member those rumours are not indeed true.

Mr. Cheveldayoff: — Well can the minister outline at all the thinking that went into it? It sounds to me like it was a decision made in a very hasty manner, and could you outline any other information received that precipitated this decision.

Hon. Mr. Thomson: — We had actually during the provincial budget process in spring, in the spring take a look at what tax room we thought was available to us. Obviously at that point we'd had a debate about property tax versus sales tax. And in the spring, we had decided that we would cut the property tax first, particularly for farm families where we provided a very significant cut to the education property tax for farmers.

We decided that was the right policy decision at that time, but we had obviously had our eye on the PST and thought that if we could, could afford it in a future budget, that we would want to reduce it. It became clear by mid-year that the funds were available to do that, and it was my judgment that Saskatchewan families shouldn't have had to wait for the provincial budget next spring to enjoy the benefit of a strong and prosperous economy that they're contributing to.

Mr. Cheveldayoff: — Very interesting answer, Mr. Minister, and certainly I'm sure it will be subject of much speculation both by members on this side of the House and the public across the province.

Minister, can you outline any thoughts or decisions or possible deliberations that were made regarding harmonization? Did you consider actually harmonizing the PST and the GST [goods and services tax], and can you outline the work that went into that decision?

Hon. Mr. Thomson: — The short answer is yes. We have obviously done a fair amount of analysis and work on the issue of harmonization. The problem with harmonizing is simply this: it would transfer about \$400 million worth of taxes off of business onto individuals. And it was my decision and that of our cabinet and our NDP government that we did not want to increase the tax burden on individuals. We didn't want the price of gas to go up. We didn't want natural gas bills taxed. We didn't want power bills taxed. We didn't want utility bills taxed. We didn't want groceries taxed. We didn't want literacy taxed. We didn't want children's clothing taxed.

It was our view that to give an additional \$400 million tax break to business — although that's potentially good for productivity and competitiveness — comes at a very high expense to ordinary Saskatchewan families. And so we opted instead for maintaining the existing tax base and to simply reduce the rate from 7 to 5. Now business benefits because they pay about 54 per cent of sales tax in the province. So 54 per cent of the tax cut really goes to business. So as that rate comes down, they benefit also.

The other thing that concerned me as we've been talking about harmonization is the business community itself is split on this and seems to be of different minds in terms of how to move forward. There's not a very clear understanding of which sectors would be impacted. And as I met with the chamber of commerce, I guess it was in . . .

A Member: — October.

Hon. Mr. Thomson: — October. We'd spent some time talking about the issue. It became clear to me that there was not a consensus within the business community that harmonization should be proceeded with. And that made it very clear to me that if we were going to act on the PST that we should in fact simply reduce the rate. That's essentially the thought process around it.

And the discussion, there is a working group that we have with the federal government on potential harmonization issues. There's no doubt that it's a priority of Minister Flaherty's and it's one we're continuing to be interested in. But for us the expansion of the base, because we have such a narrow base, it really is quite problematic.

Mr. Cheveldayoff: — Thank you, Mr. Minister, for that answer. Mr. Vicq in the Vicq report talked about the time to do harmonization — if you're going to do harmonization — would be at the same time as you're providing a cut in the rate. And the minister has chosen to cut the rate and not harmonize. So is it a fair comment then that for the foreseeable future we won't see harmonization in Saskatchewan?

Hon. Mr. Thomson: — I think that's a fair comment that the business community is not, is not at this point in uniform voice recommending to proceed with harmonization. I think there's some interest on it. But until we had a better understanding of what sectors are impacted, I can't see it moving forward. There's simply not enough public consensus to do it.

The other risk is obviously the transfer to ordinary families. I'd be very concerned about transferring a \$400 million tax bill off

of business on to families, and as such am not considering doing that any time in the near future.

Mr. Cheveldayoff: — Thank you, Mr. Minister. I would agree with you on that point, that it is certainly a concern and that Saskatchewan families have experienced very high tax levels over a long period of time and certainly can't entertain any tax increases at this time.

Getting back to the PST cut specifically, can the minister outline for this committee his thoughts on the effect that the PST will have on the overall Saskatchewan economy? Will it indeed stimulate the Saskatchewan economy? And if so, has he done any research to how much and specifically where?

Hon. Mr. Thomson: — I think the research is as we would expect it to be. I mean, it's general economic comment that it was generally assumed it's good for the retail sector. Obviously those who are seeing a reduction in rate, if it results in increased spending, will benefit. I think economists would also though indicate that the marginal benefit of using the PST as an economic stimulus is really one which is somewhat questionable. And I think we saw that debate around the time that the federal government cut the GST from 7 to 6 per cent.

We looked at this not as an economic stimulus. We looked at it really as an opportunity for us to rebalance taxes and to provide a benefit to ordinary Saskatchewan families. And that was why we undertook it.

Mr. Cheveldayoff: — Well it's interesting, your comments. So will indeed the PST cut have any effect on the GDP [gross domestic product] next year or in the following years?

Hon. Mr. Thomson: — Well I don't think we're anticipating a significant change as a result of that. I mean the tax as a component of overall GDP is very small. I think we're looking now to GDP in the province of — what? — \$41 billion, \$41 billion. So PST is about 800 million. I mean the incremental 300 million is not a huge stimulus for that. I think the capital tax cuts that we undertook . . . The business tax reform will be a much more significant issue in terms of driving GDP forward, although it'll take us I think a couple of years to see that.

The other issue that I would just indicate on the PST cut is that . . . Well I'll have to come back to it. Sorry, I've forgotten what I was going to add.

Mr. Cheveldayoff: — No problem. Thank you, Mr. Minister. If we specifically look at the government sales tax revenue, can you outline what you think will happen specifically with the overall sales tax revenue, with the 2 per cent cut? How much of the PST cost will be recouped through additional economic activity?

Hon. Mr. Thomson: — We're expecting a net decrease of 325 million in revenue. Now we know over time the value of each point of sales tax is increased. The amount that it increases is hard for us to project. And I don't know if we have an analysis going forward, but we do know that the cost of a point, each point, increases in value as the cost of goods increases and as spending does.

The point I was going to make before is that it's hard to anticipate what happens with the tax savings, excuse me, the tax savings. Individuals may well decide not to spend more, but may in fact decide to pay off debt or to simply increase personal household savings. So it's hard to tell what will necessarily happen on an economic impact with this.

Mr. Cheveldayoff: — Okay thank you, Mr. Minister. It's interesting to me. I guess in doing my figuring I believe the total revenue from the sales tax was about \$1.1 billion on the 7 per cent, and approximately I think the figures I had was \$160 million per point. So two points would be 320. So in effect, is that a net number or do you see some . . . There must be some increase in projected revenues to offset some of that.

Hon. Mr. Thomson: — I'll ask Mr. McGregor to outline our assumptions.

Mr. McGregor: — In the mid-year, members, the government also updated its forecast for sales tax for the 2006-07 fiscal year so that we forecasted an increase of \$59.7 million. So that's why you see that the decline in '06-07 fiscal year is not the full \$139 million. Now in future years, we expect as well to see strong growth in sales, and of course that's something that we would have seen in any event because of the strength of the economy.

Mr. Cheveldayoff: — Okay, I'm just trying to follow the figures here as well. So getting back to the original question, will there indeed be a stimulus on sales and sales tax recouped after the reduction?

Hon. Mr. Thomson: — We're not anticipating it will be a major stimulus, no.

Mr. Cheveldayoff: — Okay that's interesting. Does the minister anticipate that the PST cut will increase business activity or job creation at all in the province?

Hon. Mr. Thomson: — I would anticipate it would have some marginal impact.

Mr. Cheveldayoff: — Okay thank you. I guess I'm somewhat surprised by the brevity of the answers, and I thought that we would be seeing a little fuller analysis of the impact that this PST cut would have because I suspected that would be part of the decision making going on when you're looking at it vis-à-vis a property tax cut — a permanent property tax cut, I may add. So I'm somewhat surprised that the department and the minister wouldn't have more specific information about the stimulus that it would create.

Would the PST cut have any impact on the corporate tax or individual tax revenues, as well as any information been garnered in that area?

Hon. Mr. Thomson: — Again I want to return to why we cut the PST. We cut the PST because we thought it was the most egalitarian of the taxes to cut. It was one that touched a large group of citizens, as well as business.

We did not undertake this as a result . . . as an economic stimulus. An economic stimulus package was released in the

spring budget and so as such what we were dealing with was the opportunity to essentially rebalance the tax load. And that's exactly why we undertook this particular cut. It was nothing more complicated or less complicated than that.

So the decision really was one of us being able to afford about \$325 million, \$300 million worth of room. And our view was that it was preferable because of the egalitarian nature of this tax, is the fact it touched so many people in different businesses that this was the preferential tax to cut.

Now I'm unclear from the questions whether the member is suggesting that we should have cut property tax instead of the PST.

Mr. Cheveldayoff: — Well, Mr. Minister, what I am asking is the effect that this PST cut would have on the various sectors of the provincial economy. And I guess I believe inherently that there would be . . . have some positive effects. I don't have any stats behind me to back that up other than meeting with small businesses and communities across, or individuals across the province that I think would feel some benefits of the economic impact. You know, if indeed that's something that the department doesn't feel is going to happen, I guess I'll accept those answers. I'm just somewhat surprised that there wasn't more analysis and some more positive responses I guess.

Hon. Mr. Thomson: — Well we obviously believe that a tax cut of this nature will have some marginal benefit. It provides more money for people to spend or save or reduce debt with. But that choice is really up to them. And in the case of business, it'll be the same as to whether they take it in profit or whether they increase their spending. This tax cut simply reduces the tax load in the province, and that was why we undertook it.

The economic implications of it, I think as we saw from the GST cut in the spring, are marginal. They are largely marginal when you cut the PST. I mean there is some potential benefit because you are putting more money back into the economy. But in terms of looking at what that impact is, I think most economists will say that it is a marginal impact.

Now if the member is suggesting we should have undertaken a different tax cut, fair enough. But our view was that the PST was the best tax to cut at this point in the province's finances. If the member . . . And I guess I'd be curious in knowing whether the member is suggesting that we should have cut a different tax, i.e., property tax, instead of the sales tax.

Mr. Cheveldayoff: — Thank you to the minister. What I am trying to understand is the economic information that you had in front of you when you made this decision. And I guess I was anticipating more favourable information that would have encouraged you to indeed proceed with the PST cut. But I guess we'll continue to monitor the impact that the PST cut will have on the economy and, you know, I'll accept the minister's answers.

I had one final question that was, you know, somewhat related but not as directly. And in light of his answers here, I can anticipate what the answer will be to this question. But indeed will the PST cut in your analysis have any effect on the population numbers of the province? Will it indeed encourage

Saskatchewan people to stay in Saskatchewan, to shop in Saskatchewan, and to see this as a favourable place to live?

Hon. Mr. Thomson: — There's no doubt that I believe that this is a favourable measure. I think it will help communities on the western border be able to keep shoppers, particularly in the Battlefords area that potentially lose to Lloydminster. I think it will help car dealers and retailers in Swift Current, and on the western border, in the deep southwest, along west central. I think it'll be good for Kindersley, so that they'll see hopefully fewer shoppers going to Oyen and Alberta communities.

On the eastern border, we're obviously extremely competitive now. We're two points lower on our taxes than Manitoba on our consumption tax. I would hope that it would continue to draw shoppers into Yorkton and our communities on the eastern side. And I would anticipate that that will in fact be the case.

I however reject the idea that population numbers are directly tied to taxes. I think people make their decision about where they live and where they work on a variety of different factors. Does this make Saskatchewan a better place to live, to work, and to raise a family? I think absolutely. And it builds on this government's initiatives in that regard.

We've been very pleased to try and dedicate the room that's been afforded by a strong economy to the sectors that we felt were most in need. This spring there was no doubt we believe that that was the agricultural farm sector. Did I get a lot of push back in my riding for doing that? Absolutely but that was the right decision to make was to provide that tax cut targeted to farm families so they can have their education property tax reduced.

Did we get push back from groups for cutting the business taxes? Absolutely but it was the right decision to make to provide business with a better base for them to build on, recognizing we are increasingly a capital intensive economy. Have I received push back on the PST? Not at all. People like the PST cut. And they've been, I think, accepting of the fact that it was a broad-base cut that really does reflect the strong situation the province's economy is in.

So we make tax cuts based on affordability, based on sustainability, and taking a look at a variety of different needs: sometimes particular hurt and particular pressure, sometimes in terms of particular opportunity, and sometimes simply because — you know what? — we're a prosperous province. We're one of Canada's three have provinces, and we can afford it. And I don't see any reason for us not to return some of that money to the folks who have made that possible. And that's really why we undertook it.

So I appreciate the member wants to take a look at some of the other economic arguments around. There may well be those. I can tell him however that our decision to cut the PST was not in fact based on that. It was really based on rebalancing of the tax load within the province to provide a very real benefit to ordinary Saskatchewan families.

Mr. Cheveldayoff: — Thank you Mr. Minister, you touched on many areas there. I guess the only comment I would have, or the place where I would differ, was the push back you said that

you received on money going to farm families in Saskatchewan. And we both represent urban constituencies in this province, and I guess I would say that I had a very different reaction, that my constituents to a large part support any money that can go to the rural sector of our economy because they realize that in order for Saskatchewan to grow and prosper we need a thriving agricultural economy. So I would certainly encourage you, you know, anything that you can do for the farm sector is very important, and I suggest it will be supported by urban individuals as well.

Getting back to my specific question, I guess any population targets that any of these measures that you have done, will they indeed have a positive impact on our population? If so, have you compiled any targets that you would like to reach? I think everyone in this province would like to see the loss of population stop and us to hit the bottom and to rebound, and I am hoping that your measures will indeed start that trend. And I hope that you would agree with me there and that you have indeed set some population targets. Can you expand on that?

Hon. Mr. Thomson: — Well there are a lot of reasons that people will want to move to Saskatchewan: to start their families, to set up their businesses, to build their careers. And we'll continue to see that happen in the coming months.

I do find it curious that the member today is saying that things were so good in the provincial budget. It seemed to me he was famously saying this spring there was nothing in it for him. People were telling him there was nothing in that budget for them. And I think that that's . . . Maybe he's had an opportunity to spend more time with his constituents over the summer to hear those kind of positive comments about what we did undertake in the spring — the support for farm families which was obviously good and sizeable, the support that we put in to social assistance recipients that helped them come out of poverty, the money that we put in to our health sector and our education sector, that in fact there were a lot of things that went into that provincial budget that really did help ordinary Saskatchewan families.

But that's a significantly different tune than I was hearing being sung during the spring session where I think he famously said, there's nothing in it for me.

The Chair: — All right. Thank you . . .

Mr. Cheveldayoff: — Mr. Chair, I just have to respond to the minister's comments. You know indeed he wasn't listening very closely if that's the impression that he received. When the government does something right, we're the first to congratulate them on that. Time and time again I said it's a right move, but it's too little too late. When we see a farm . . . We see the agriculture budget of this province, less right now than it was in 1991, it brings concern. And I think, you know, the comments have to be taken in a relative perspective.

When you're sitting on \$1 billion surplus or \$1 billion savings account as you are right now, I think things have to be considered in that light. And when we see that Saskatchewan families have paid the highest taxes . . . And we can go through the list of every tax in this province. And you know, I remind the minister what Jack Vicq said — and when he talked about

the record of your government over the past number of years — when he made his recommendations, that Saskatchewan taxpayers, Saskatchewan businesses paid the highest taxes not only in Canada but his thoughts were across North America; some of the highest taxes overall.

We agree. In the Saskatchewan Party, we have put forward the process that taxes have to be competitive. And yes, we are very pleased that the government has seen the light and has decided that, yes, that Saskatchewan has to be competitive in that regard. And that's why we will continue to offer ideas. The minister knows that the Saskatchewan Party was the only party to bring forward a submission to the Vicq commission.

And we'll continue to put forward innovative ideas on property taxes, on income splitting. We feel that's an important part of the opposition. And I remind the minister that we will agree on things from time to time, and we will disagree on things. But from this opposition he can be encouraged to know that positive ideas will continue to come forward.

Hon. Mr. Thomson: — Mr. Chairman, I am of course always welcoming of ideas from the opposition, and there's no shortage of them. In any given day I get from this critic the suggestion that we should be cutting debt, spending more, cutting more taxes. That's exactly the problem that got us into having a multi-billion dollar debt in this province, one that we continue to pay over a half a billion dollars a year on interest on that. It's part of the approach that is taken by the party opposite. And I want to just say it was the New Democratic Party that set up the Vicq commission, and we will always welcome the Saskatchewan Party to appear before any of the commissions that this government establishes.

The Chair: — Thank you very much. Seeing . . .

Mr. Cheveldayoff: — Thank you, Mr. Chair. A few more questions then . . . was indeed there a debt in the province, to the minister's knowledge, when the Allan Blakeney government was voted out of office? Was there indeed a debt, and if the minister could share with us what those figures would be?

Hon. Mr. Thomson: — There was no debt in the GRF.

Mr. Cheveldayoff: — Oh well that, that kind of partially answers the question, Mr. Chair. But we all indeed know that there was a substantial debt in a summary basis across this province. But, Mr. Chair, at this time I do not want to go back 20 years. I want to look towards the future. I want to look towards 2007. So at this time I'd be prepared to let the Bill go.

Hon. Mr. Thomson: — I'd like to thank the member for his questions, his comment, and his trip down memory lane. We certainly always enjoy talking about . . . He seems to like to skip back 20 years. We, of course, still like to talk about what happened in those 20 years in between.

And it is unfortunate that we're continuing to call on taxpayers to need to support our debt financing. But nevertheless we have embarked on a balanced approach, part of which is the PST cut which is in front of us today. And I would certainly encourage the members to support the NDP government in this tax cut.

The Chair: — Thank you very much, Mr. Minister. Seeing no further speakers, clause 1, is that agreed?

Some Hon. Members: — Agreed.

[Clause 1 agreed to.]

[Clauses 2 to 5 inclusive agreed to.]

The Chair: — Her Majesty, by and with the advice and consent of the Legislative Assembly of Saskatchewan, enacts as follows: Bill No. 2, An Act to amend The Provincial Sales Tax Act.

Could I have a member please move that we move the Bill without amendment?

Ms. Hamilton: — I would so move that we report the Bill without amendment.

The Chair: — Thank you very much. Ms. Hamilton moves we report the Bill without amendment. All those in favour?

Some Hon. Members: — Agreed.

Bill No. 16 — The Tobacco Tax Amendment Act, 2006

Clause 1

The Chair: — The next item for the committee is Bill No. 16, An Act to amend The Tobacco Tax Act. Mr. Minister, do you have any opening comments?

Hon. Mr. Thomson: — By way of introduction, Mr. Chairman, I obviously have the same officials with us. What we are looking at is an Act to increase the charges on cigarettes and loose tobacco. This is to largely offset the impact of the PST cut that the committee just dealt with.

The tax, specifically the tax on cigarettes, was increased from 17.5 cents per cigarette to 18.3 effective October 28. The tax on each gram of tobacco other than cigarettes increased from 17.5 to 18.3 per gram, and this is largely offset. We are expecting that this will generate about an additional 3.3 million this year and 8 million in annualized revenue.

The Chair: — Thank you very much, Mr. Minister. Are there any questions? Mr. Cheveldayoff.

Mr. Cheveldayoff: — Thank you, Mr. Chair. Can the minister just outline in a broad sense the reasons for undertaking this tax increase?

Hon. Mr. Thomson: — We believe that smoking is in large part . . . The number of people who smoke, and particularly young people, are somewhat price sensitive and our view is that the price of tobacco should remain relatively high to discourage smoking.

Mr. Cheveldayoff: — Thank you, Mr. Minister. Mr. Chair, will there be an anticipated revenue increase from this tax increase?

Hon. Mr. Thomson: — You're asking about a net increase; is

that correct?

Mr. Cheveldayoff: — Correct.

Hon. Mr. Thomson: — I'm told the answer is no.

Mr. Cheveldayoff: — So there will not be an anticipated revenue increase from this tax increase.

Hon. Mr. Thomson: — There will be a revenue increase on tobacco of \$8 million on an annualized basis. We expect that to be fully offset by the 2 per cent PST cut. So the price of cigarettes should remain constant and that was our objective.

Mr. Cheveldayoff: — Okay. I'm just looking at the projected revenue for this budgetary year and it shows an increase of \$19.9 million in revenue. Can the minister outline what factors come into play to precipitate that almost \$20 million increase in revenue?

Hon. Mr. Thomson: — We are looking at there being a small increase in consumption this year. It's estimated to be about 2.9 of that 19.9 million. Overall smoking does appear to be decreasing however and so we'll need to keep our eye on that. The majority of that 19.9 million, over 10.3 of it was a result of a change, a one-time gain in tax paid on tobacco inventory from a manufacturer that the member opposite will no doubt be familiar with.

Mr. Cheveldayoff: — I'm not familiar at all with what the minister's referring to. But specifically what I would like is a breakdown of that 19.9. I understand this is a 5 per cent increase so 5 per cent would be into that 9 to \$10 million range. And then the rest of that would be attributed to what?

Hon. Mr. Thomson: — 3.3 million of it is a result of the increase that I announced October 28; 10.3 million of it is as a result of changes to inventory — tax being paid on inventory by a particular manufacturer. There's a one-time gain as a result of tobacco tax audits of about 3.4 million. And then we have 2.9 million related to increased consumption. That accounts for the 19.9 million.

Next year we expect that the annualized impact of the increase will be 8 million, but we will not be benefiting from the one-time gain on the tobacco inventory paid by a particular manufacturer that the member's party will be familiar with.

Mr. Cheveldayoff: — Thank you, Mr. Chair. Mr. Minister, what percentage would that increase in consumption equate to? What would the percentage increase be?

Hon. Mr. Thomson: — It was 2.9 million on 165 million, so we can do the math on that. Did you want me to do the math on that?

Mr. Cheveldayoff: — No, that's fine. That, we can figure that out ourselves again. I thought that the minister would have that handy, at his disposal. I'm not going to bite on the minister's comment regarding tobacco taxes in the province and how they're calculated. You know, we could I'm sure bring forward the donations made to the NDP party as well and debate them line by line as we have seen happen in this House before and

... but I'll just probably leave that alone.

Has the government's ban on smoking in bars and restaurants had an impact on the revenue that it receives from tobacco tax?

Hon. Mr. Thomson: — The answer is yes, we have had some impact on that. And I think in the previous budget we've allocated for some impact both on the tobacco side and on the liquor side.

Mr. Cheveldayoff: — Yes, correct. I know that the minister has budgeted for some of that impact. Is there any updated figures that the officials could provide for us today on that amount?

Hon. Mr. Thomson: — We don't have any new figures today.

Mr. Cheveldayoff: — Thank you, Mr. Minister. I guess it's fair to say then that the ban on smoking in bars and restaurants indeed hasn't reduced consumption in this province and it hasn't reduced the amount of tobacco sold in Saskatchewan. Does that trouble the minister at all? Will he be initiating any other initiatives, I guess, to ensure that consumption doesn't continue to increase?

Hon. Mr. Thomson: — I would welcome the advice of the Minister of Healthy Living Services, Mr. Addley, on this. And I know he and Health ministers across this country are continuing to work on ways to decrease the addiction to tobacco that many Canadians suffer from.

Mr. Cheveldayoff: — Thank you, Mr. Minister. So you'll be, you'll be consulting the Minister of Healthy Living Services and asking for some recommendations in that regard? Or will you be providing any information to him?

Hon. Mr. Thomson: — I would anticipate that as new information becomes available, and new ideas on how to combat tobacco addiction in the province, that he or my colleague, the Minister of Health, would come forward with suggestions to deal with that.

Mr. Cheveldayoff: — Thank you, Mr. Minister. Do you have any forecasts beyond the information that I would have regarding the quantity of tobaccos to be sold in Saskatchewan? Will it decrease or increase in future years?

Hon. Mr. Thomson: — I think we're expecting a general decline in overall consumption rates but I don't have a trend line here today.

Mr. Cheveldayoff: — Thank you, Mr. Minister. No further questions at this time from myself.

The Chair: — Thank you very much. Seeing no further questions ... Clause 1, is that agreed?

Some Hon. Members: — Agreed.

[Clause 1 agreed to.]

[Clauses 2 and 3 agreed to.]

The Chair: — Her Majesty, by and with the advice and consent of the Legislative Assembly of Saskatchewan, enacts as follows: Bill No. 16, An Act to amend The Tobacco Tax Act, 1998. Could I have a member move that we report the Bill without amendment?

Ms. Hamilton: — I move that we report the Bill without amendment.

The Chair: — All those in favour?

Some Hon. Members: — Agreed.

The Chair: — That's agreed.

Bill No. 35 — The Infrastructure Fund Act

Clause 1

The Chair: — Next item for the committee is An Act to establish the Saskatchewan Infrastructure Fund. Mr. Minister, the same officials with you for this Bill as well.

Hon. Mr. Thomson: — Same officials, and I've given our discussion on supplementary estimate. I have no opening comments on this.

The Chair: — Thank you very much, Mr. Minister. Are there any further questions? Mr. Cheveldayoff.

Mr. Cheveldayoff: — Mr. Chair, just for the committee's benefit, we've chosen to ask all the questions that we have under supplementary estimates to accommodate the schedule of a colleague of mine. So we have no further questions at this time.

The Chair: — Thank you very much. No further questions. Clause 1, is that agreed?

Some Hon. Members: — Agreed.

[Clause 1 agreed to.]

[Clauses 2 to 11 agreed to.]

The Chair: — Thank you very much. Her Majesty, by and with the advice and consent of the Legislative Assembly of Saskatchewan, enacts as follows: Bill No. 35, An Act to establish The Saskatchewan Infrastructure Fund.

Could I have a member move that we report the Bill without amendment?

Ms. Hamilton: — I move that we report the Bill without amendment.

The Chair: — Thank you, Ms. Hamilton. All those in favour?

Some Hon. Members: — Agreed.

The Chair: — That's agreed.

Bill No. 36 — The Income Tax Amendment Act, 2006 (No. 2)

Clause 1

The Chair: — The final item for the committee today is Bill No. 36, An Act to amend The Income Tax Act, 2000. Mr. Minister, I see we have the same officials with us. Do you have any opening comments you'd like to make about the Bill?

Hon. Mr. Thomson: — Mr. Chairman, I would simply indicate that this Bill does implement the initiatives to bring into effect the new dividend tax credit rate for dividend income subject to the general corporate income tax rate, to reduce the dividend tax credit for dividend income subject under the small-business corporate income tax rates, and then to reduce the small-business corporate income tax rate itself.

At the same time we are reducing the rate for the investment tax credit for manufacturing and processing to match the new PST rate.

The Chair: — Thank you, Mr. Minister. Are there any questions? Mr. Cheveldayoff.

Mr. Cheveldayoff: — Thank you, Mr. Chair. Could the minister just outline why indeed this measure was taken regarding the new dividend tax credit. Was it solely in compliance with the federal government? Was there anything more to that?

I guess I was somewhat at a loss to figure out why exactly this Bill was put forward other than the very, very limited information that we received from the minister's office regarding this, so anything that he could do to enlighten the committee on exactly why this was undertaken.

And my understanding is a reduction in a dividend tax credit is in effect a tax increase. So we're concerned about why a tax increase has taken place when a government has certainly the ability to not have a tax increase at this time.

Hon. Mr. Thomson: — The changes were in fact in response to changes initiated by our federal colleagues in Ottawa in their spring budget. We have now as a result tried to bring our measures in line for simplicity reasons.

One of the impacts of the reduction of the small-business dividend tax credit was in fact to increase revenue and we have offset that with the increases in threshold and reduction in the small-business rate.

Mr. Cheveldayoff: — Thank you, Mr. Minister. What will be the anticipated effect on the provincial tax revenues specifically due to this, the changes in the dividend tax credit?

Hon. Mr. Thomson: — This is a relatively small net change in the provincial budget. We're looking at an overall impact of about 4 million on an annualized basis for the large corporations. There's a positive 6.3 for the small corporations, so they'll pay 6.3 million which will then be offset by 7.6 million worth of small-business tax cuts. So overall this is a relatively revenue-neutral set of measures.

Mr. Cheveldayoff: — But indeed a small tax increase.

Hon. Mr. Thomson: — The deputy corrects me that it's actually a \$5.6 million tax cut.

Mr. Cheveldayoff: — It's an overall a \$5.6 million tax cut.

Hon. Mr. Thomson: — Tax cut. Yes. That's right.

Mr. Cheveldayoff: — Thank you for that information. On information like this, I would just like to suggest to the minister that I think it would be beneficial for all members of the Assembly if the opposition could get information on this in a timely manner, so we can indeed look at the information, consult with stakeholders across the province, and find out the impact of a measure such as this. But I just leave that to the minister to do as he chooses, I guess, in the future.

The reduction of the small-business tax rate, I have several questions regarding that and the impact that it will have on the provincial economy.

Does the minister anticipate that the tax measure will increase the number of small businesses operating in the province this year or next year? Same line of questioning as I was doing on the PST, I believe, and it's a personal belief, that if you cut taxes and you make them more competitive, it will stimulate the business economy of the province. And indeed I'm just looking for information that the minister and his officials may have to confirm that assumption.

Hon. Mr. Thomson: — We've undertaken so many tax cuts this year, it would be hard to isolate the impact of any particular one. But I would certainly say that by cutting the sales tax, the corporate tax, the small-business tax, the income tax, capital tax, property taxes, that they must have some positive impact on business. And in fact the predictions that we're looking at are that this will be a more business friendly and much more competitive environment as a result of that. The impact of any one measure alone would have some portion of that to that they could certainly take credit for. But overall what we wanted was a comprehensive package of tax cuts to encourage growth and to encourage investment.

Mr. Cheveldayoff: — Thank you Mr. Minister. So what you're telling me is you have no specifics on any of these tax cuts and what they will do for the provincial economy that you can share with me at the present time.

Hon. Mr. Thomson: — We're looking in this particular Bill about a \$5.6 million tax decrease. I would expect at best it would have a marginal impact. In terms of the climate though, when you're cutting property taxes, sales taxes, income taxes, corporate taxes, capital taxes, and small-business taxes, overall you would assume that this would improve your business climate and make your province more competitive, not only in terms of a very real form of competitiveness, but also just in terms of the perception of this being a good place to live, work, invest, and do business.

Mr. Cheveldayoff: — Thank you Mr. Minister. I guess you're the one that broadened the context by mentioning all of the taxes that needed to be addressed, and I would put forward that

having those very, very high rates for the bulk of the last 15 years have had a detrimental effect on our economy.

So I would suspect, I would hope, and I would certainly anticipate that there would have been some positive effect, that 15 years of very high taxation rates — I would put forward, and it's a personal opinion of mine — that it has hampered the growth of our provincial economy and now I'm anticipating that hopefully we'll turn a corner. That's why myself and members of my party have been advocating these tax arrangements for a number of years. A competitive tax situation, I believe does increase the growth needed in this economy, and we hope that we will see that in the numbers. And we also hope that we will see that in the population numbers for this province as well.

I just, I must reiterate that I'm disappointed that there's not more analysis from this government on exactly what the positive effects will be on the provincial economy — whether it's on this specific endeavour or others. But we will continue to try to get that information from private sector forecasters, and I know Doug Elliot has done some good work in this regard, so we will continue as an opposition to try to find this information out from other sources other than the Government of Saskatchewan.

I guess just one further question on the overall . . . And maybe we can broaden it, this tax decision and include others as well. Will there be any impact on the GDP in Saskatchewan at all from all the measures that have been undertaken both within the budget or within the mid-term reports or stuff like the PST that would seem to be done more on a whim?

Hon. Mr. Thomson: — Yes, we are expecting that the GDP of the province is going to continue to grow as a result of these measures. It's a very interesting situation the province is in. And I think that Saskatchewan people have responded extremely well to difficult situations as they've rebuilt the finances of the province and constructed really what is a remarkable economic turnaround.

I think about when we formed the government — although I was not a part of it in 1991 — I think the GDP of the province was about \$17 billion. Today we're talking about a GDP of almost \$42 billion. This is a sizable change. On a per capita basis, it's immense in terms of what we're seeing in terms of increased productivity.

Certainly there has been a . . . I would agree with the member that we have called on Saskatchewan businesses and people to pay a higher level of tax than we would have liked, to help pay off \$3 billion worth of debt that was built up. There's no doubt that it pains me as we go through the provincial budget to know that we are going to call on them again to pay another half billion dollars just to service a debt that was built up. And I only wish that the previous administration that brought this province to near bankruptcy had thought about the impact, the economic impact, it would have on this province to mortgage the future to such an extent that we needed to maintain the tax rates where they were.

I think it is a cautionary tale for all of us in public service today to be mindful of the impact of the decisions we make today on

the generations to come. Saskatchewan's economy today would be much stronger if we weren't burdened with debt. It would be much stronger if we weren't burdened with the interest payments. It would be much stronger if we could have used that money over the last 15 years to invest in infrastructure and lower tax rates. But we didn't have that opportunity. The province was nearly bankrupt, and it is true that we spent the 1990s paying for the gross excesses of the 1980s. The good news is that the 21st century is allowing us to turn a new page and to move forward.

Cuts to the oil and gas royalty rates has stimulated production. Changes to the production incentives in potash has helped move that forward. Uranium production is moving forward. And in the last two years alone, for us to be able to . . . last year alone, to be able to undertake half a billion dollars worth of tax cut by cutting property taxes, sales taxes, income taxes, corporate taxes, capital taxes, and small business taxes, I think really does speak to the fact that maybe we are finally, finally starting to come out of the fog that was left from the 1980s.

Is there more to do? Absolutely. Would I like lower tax rates? Absolutely. But we try to balance tax reductions with surplus . . . or with debt reduction, with increased spending, and I think we've got the mix about right.

So although this cut is relatively small, again it's about a \$5.6 million annual change. It nevertheless I think helps send a strong signal that Saskatchewan is a good place to live, work, raise a family, invest, and start a career.

Mr. Cheveldayoff: — Thank you, Mr. Chair. And just to respond to the minister's comments, certainly I would agree with the minister in the fact that he's in an unprecedented position. He is seeing the benefits of world oil prices that have never been higher. And potash prices continue to be again at record-setting highs, and Saskatchewan has benefited from the fact that we do have those resources. But that increases I would say the responsibility on his shoulders to ensure that Saskatchewan's economy does benefit from these record revenues.

He is sitting on record non-anticipated revenues budget after budget. The revenues have increased in the billions of dollars. And I would say . . . And the minister is the first one that likes to go down memory lane. He conveniently doesn't go back to a time in Saskatchewan when we nationalized potash mines and made some decisions that weren't very productive in the 1970s.

And I would agree that some of the decisions that were made in the 1980s, when we look back on them, are not prudent in today's environment. I think it's important to look at what was happening across the country and at the national level — in the '70s when the decision was made to nationalize the potash mines, in the '80s when the decisions were made to incur debt financing to look at the priorities of the time. I know governments in Alberta and Manitoba and certainly in Bob Rae Ontario had faced some of the same decisions.

But I would say to the minister that it's more important to look to the future. It's more important to use this unprecedented revenue to build the economy of Saskatchewan, to actually grow the population of our province. It's something that needs

to be done. The responsibility falls on his shoulders. And it's something that we're going to continue to talk about and I'm sure that the people will be deciding on in the very near future.

Getting back to the Bill, I wanted to ask the minister a couple of questions regarding the Saskatchewan child benefit program. I see that this falls under this Bill as well. And can the minister just outline, will the federal government now be fully funding the national child benefit program for children?

Hon. Mr. Thomson: — Saskatchewan had pioneered the child benefit. And finally when the federal government stepped in to jointly participate in the new national benefit, we were able to allow more federal funds to flow in to . . . [inaudible] . . . provincial contribution. Now it is a national program. It's one we're proud to have pioneered here in Saskatchewan, and as such we don't have a separate Saskatchewan benefit any more. This Bill closes that off.

I appreciate the member's comments also about the need to look forward. When I was the minister of Energy and Mines in 2001, oil was at \$25 a barrel. It was a difficult time in this province. We were talking about shutting in production. And it was really Lorne Calvert and Eric Cline and I who made the decision that we would cut our royalty rates in order to stimulate production, not because it was going to get us a huge amount of benefit at \$25 a barrel. But it essentially set the foundation for us to enjoy the high prices today.

I don't believe in this Forrest Gump financial forecasting the member opposite seems to have which is somehow we're accidentally benefiting as a result of high prices. High prices have been beneficial to us, but they're only beneficial when you have production. And we have production in oil and gas today because of the decisions we made in 2002 to change the way that we dealt with the royalty rates.

I could say the same thing is true in terms of the changes we made on potash production to deal with incentives there. The changes that we made to encourage uranium development. We do need to look forward.

I appreciate also his comments on the 1970s. Unfortunately at that point I was about . . . At the time they were dealing with potash in the 1970s I was — I don't know — seven or eight, and I wasn't really paying attention. So his comments on it are enlightening, and I'm sure that I would have studied debate in school. I may not have paid attention that day in grade school when we were studying what was happening in potash, but I can assure him that I remained firmly focused on how it is we can use the resource wealth of the province today to benefit Saskatchewan people.

That is why in a large part the equalization fight that we are in with the federal Conservatives in Ottawa is so important. The fact that we lose \$2.2 million a day in Saskatchewan resource revenue that is clawed back by Ottawa and spent on economic and social program development in other provinces is so egregious, it is so unfair. And that is why we need to continue to push the Prime Minister of Canada to keep his promise, a promise he estimates, sees the federal government . . . that if he can fix it, they'll end the three quarter of a billion dollar annual clawback on revenue that is provided to date.

That is an important issue. That is about looking forward. And we I believe have set the foundation. We haven't been prepared to wait for Ottawa to do it. We've tried to do the tax cuts as we can afford them to date. And that's why we've undertaken the comprehensive cuts that we have, at the same time balancing that with more money for education, and health care, social programs, and for those in need.

Mr. Cheveldayoff: — Thank you, Mr. Minister. Just to respond. A couple of things I guess. If you were in grade 1 when the potash mines were nationalized, I was in grade 3. It wasn't top of mind for me either. But it was something that when we look in the whole context of the history of Saskatchewan and the economy and where we're at today, that we have to be balanced in what we look at in the '80s and in the '70s, and things that effect.

But again what's much more important is the future, where we go from here, how we turn things around, and how we actually get our population growing so Saskatchewan can be the province that many of our forefathers anticipated it to be when they built this building and anticipated a population much higher than what we have today.

As far as the equalization goes, and you know I certainly don't need a lecture from the minister, and I don't think that's what he was intending on. On equalization, he can . . . And I know he knows this, that I had the opportunity to travel with his predecessor, the minister of Finance at the time, the member for Regina Dewdney, Mr. Van Mulligen. And we had a chance to both appear before a senate committee there. The Leader of the Opposition and myself appeared before several committees. And indeed we have participated with the Premier and some of the initiatives that he tried to enact.

And indeed we've been very critical of advertising campaigns. The Imagine campaign, we were very critical of it. We feel that it did absolutely nothing to put forward, to benefit Saskatchewan's position. The minister may disagree on that, but again I reiterate. And we've said this to him in the House, and the Leader of the Opposition has told the Premier, that if he has any initiatives where he wants to go to Ottawa or to talk to federal ministers, to the Prime Minister, the opposition agrees that the equalization program has to be changed to benefit Saskatchewan. And we would indeed, as opposition members, be willing to go with him. And from the one instance that I've had where we've gone together, opposition and government, I think it sends a message to Ottawa that indeed we are speaking for the entire represented population of the province.

I do have several other questions on the child benefit program, but I'd invite the minister to respond to my comments.

Hon. Mr. Thomson: — Well I would certainly welcome the opportunity and will take the member up on his request.

I just want to say that I think it's an extremely sad situation that a year after a new government was elected, promising to fix equalization, that we are still waiting. I think it is a sad situation that Saskatchewan sent another \$800 million this year — while we're waiting — to Ottawa, that they've redistributed to other provinces to support their economy and their social programs. I think it's unfortunate that we've lost the opportunity to

contribute that \$800 million to building Saskatchewan's economy and Saskatchewan's communities. And I guess we will continue to push, and we will continue to work with Ottawa so that they will someday keep their promise.

I just hope we don't have to wait very much longer. And I will certainly take the member up on his offer to assist us in that cause. I think it is one Saskatchewan people want. And at some point in the very near future, I hope that the Prime Minister listens and tells us we don't have to wait anymore, that he is good for his word, that he is going to make good on his promise to Saskatchewan people and stop the clawback of our resources. So I do welcome the member's comments.

Mr. Cheveldayoff: — Thank you, Mr. Minister. I certainly take your comments at face value. I know you've had a meeting with the federal Finance minister in Ottawa prior to the session, and I read your comments in the media after that meeting. You seemed to be somewhat positive on the results of that meeting.

The Leader of the Opposition and I have had a meeting with the federal Finance minister as well, and tried to put forward Saskatchewan's case the best we can. And we look forward to any leadership that your department and your government would be willing to provide in this manner. And we will indeed again use the resources that are available to the opposition to try to put that case forward the best that we can.

It is important, as the minister outlines, to keep your promises. And that's why we've been so critical about your government, and increasing the PST right after the last election. And we would indeed make sure that that doesn't happen again in the future. And you know, many members of municipalities have talked to us about the concern that they have and the broken promises from your government. And I don't think broken promises do anybody any good, whether it comes from the provincial government or the federal government.

But more importantly on this very important issue for the finances of the province, I think we have to work together, see where we can agree, and try to do the best we can for Saskatchewan taxpayers to ensure that they gain some of the benefits that were provided to provinces like Nova Scotia and Newfoundland and Labrador.

Getting back to the Saskatchewan child benefit program, was the provincial government funding its share of the program from own-source revenue, or were provincial contributions to the child benefit through the Saskatchewan child benefit program funded by federal transfers and simply administered by the province?

Hon. Mr. Thomson: — It was Saskatchewan own-source revenue that was funding the program. The feds were administering it.

And I certainly just want to say I agree when it comes to keeping promises. I think the other challenge for us is to be cautious not to promise everything to everyone, that it is in fact important that we're prudent and actually consistent in our approach. And I don't think there's anything wrong when you've made a mistake to admitting that. And whether that's, I think, the situation we've seen now, that I'm very pleased that

we've been able to cut the sales tax to its lowest rate since 1987 in the province, and on a much narrower base than it was when the harmonization occurred.

And I'm sure the member opposite feels the same about them abandoning their promise to get rid of the gas tax that they made last year at the height of the gas price increases. I mean people need to take a look at the situation in front of them and act accordingly, but I think all of us are trying to be mindful not to — at least on our side of the House — promise everything to everyone, and that only gets you into trouble.

Mr. Cheveldayoff: — Thank you. Mr. Chair, and I guess the minister will know about getting into trouble. But sometimes when he talks about, you know, the measures that his government has undertaken, I can't help but sit back and kind of smile to myself about the comments that I made when I first became Finance critic. Talking about the need to address the corporate capital tax, the small-business tax, the small-business rate, the PST — and at that time what did members opposite, and indeed the Finance minister when he was Learning minister, and the Finance minister at that time, what was their response? Oh well you can't do all that; you can't do everything. You know the Finance critic doesn't know what he's talking about; you can't address all of these taxes.

And I said at that time and I say again, when you have the highest taxes in the country in every specific category that Jack Vicq looked at, something has to be done. When you have record royalties coming into your coffers you can sit around and pat yourself on the back for doing these things, but I would say that the 15 years of the high tax regime that this government has put forward, has put our economy behind the eight ball. We have a lot of catching up to do. I'm glad that some measures are being undertaken.

I'm glad that the minister is following the advice of the Saskatchewan Party, when we brought forward ideas on how we can make our Saskatchewan taxes more competitive. I will agree that they are more competitive now than they were a couple of years ago when I made these suggestions. And I will put forward to the minister that Saskatchewan property taxes will be probably more competitive in a couple of years than they are now because of ideas that will come from this side of the House.

Mr. Chair, will parents and low-income children see any additional benefits now that the federal government has increased its contribution through the National Child Benefit?

Hon. Mr. Thomson: — There was in fact some net benefit from that, those changes, and I think that is a good move forward. Again we were happy to have pioneered child benefit here in Saskatchewan. I think it was a good initiative and one that we were very pleased to start, and are very pleased it's now all across Canada.

With respect to the member's other comments, we'll take them for what they are. All I can say is that it is always helpful to have an opposition that'll suggest everything on anything, and it allows us to quite nicely pick and choose in terms of the direction. What is unfortunate, however, is lack of consistency that we see, even today in terms of whether or not we should be

cutting taxes more or paying down more debt or running a surplus or not.

You know, it's I guess the business oppositions are in. We're in business of governing the province, and that means the books need to balance, and we need to stay on course. But I do, in the spirit of co-operation, welcome the advice and input of the members opposite and indeed citizens throughout this province, and what we can do to make Saskatchewan a better place to live, to work, and to raise a family.

Mr. Cheveldayoff: — Thank you, Mr. Minister. And it's a point that I hold very near and dear as well, is consistency. And I would suggest to the minister that he review the advertising that took place during the last election by his government, or by his party. You know it doesn't . . . Words like greedy, corporate hucksters are in the minds of Saskatchewan businesses across this province when they received that very damning letter from the Premier talking about the Saskatchewan Party.

It was under the Premier's . . . It was under the Premier's signature and we have copies of that letter. Indeed they were brought forward, they were brought forward by the . . . I'm sure the members opposite and I'm sure the . . .

Ms. Hamilton: — Perhaps you could table that. Mr. Chair . . . He's mentioning a letter. He should table the letter.

Mr. Cheveldayoff: — Oh it is a letter that was done by the NDP party and . . .

Ms. Hamilton: — I'd like that letter tabled for the committee please.

The Chair: — Could I have some order please. Could I have order please. We have a member asking for the letter to be tabled. Does the member have a letter with him that he's referring to?

Mr. Cheveldayoff: — Thank you, Mr. Chair. It is a letter that was produced by the NDP party I believe. I don't . . .

Ms. Hamilton: — Is it by the Federation of Labour?

The Chair: — Could I have order please. Proceed, Mr. Cheveldayoff. Do you have a question for the minister?

Mr. Cheveldayoff: — Oh I sure do, Mr. Chair. And I was just getting to that question when I was talking about the need for consistency. And if other members of the committee or other members of the House need that information that took place in the last election, I'm sure that we could find ads that were run by the New Democratic Party talking about the concern that they had regarding reducing taxes and how we would have the ability to indeed pay for social services, pay for health care, pay for education.

Members on this side of the House took a different view. We said that competitive taxes would actually increase the competitiveness of our economy and would increase the benefit to the treasury over the long term. I think it's something that we tend to agree on now. We probably didn't agree on three years ago. But I would put forward that I'm very pleased with

the information that we've seen now that the government has made several changes and decided to enact some competitiveness in the provincial taxation system.

Getting back to the child benefit program, I'd like to ask the minister, given that poverty amongst children continues to remain a problem in Saskatchewan today . . . We've seen the use of food banks at record levels, you know, after a promise was made to eliminate food banks I think some 15 years ago.

Did the Minister of Finance consider the option of continuing funding the Saskatchewan child benefit as top-up to the national child benefit? The minister says that the child benefit was started here and that's why the surprise that, I guess, that it was wound up. But indeed when the minister has the finances that he does, was that a consideration that indeed we could go beyond what the national child benefit provides?

Hon. Mr. Thomson: — We believe the child benefit provides sizable support to many Saskatchewan families with children. We redirected the funds that became available as the national government came in with the national program. And it is my view that there are other areas that we could increase our spending, and in fact have increased our spending, that are preferential in terms of helping move children out of poverty — not the least of which of course were the increases to the social assistance rates that I announced this spring, largest in a generation — the increases we provided to our Community Schools Programs, the increases we provided to our helping agencies. The list is quite substantial.

And although I don't have it here today, I can assure the member that on issues of social cohesion and social compassion we continue to look for ways to raise families out of poverty. This is a significant concern and one that is very real for people in our communities today.

I would appreciate in the future for the support of the right wing parties in this province to support us as we raise the minimum wage, that they would speak in favour of this, that they would continue to work with us as we increase social assistance rates as we did last year. I think it's unfortunate they voted against that. And there is much more that we can do. A tax cut is not always the best way to assist those most in need.

Mr. Cheveldayoff: — Thank you, Mr. Minister. And I would agree with you that indeed we will continue to debate things like how we put more money in the pockets of those that earn minimum wage.

Not only will we look, you know, towards what your government is doing, but the members of this side of the House — as we did with the last increase to the minimum wage — also provide an alternative. So Saskatchewan people have the opportunity to judge, to judge what your government has done over the last 15 years against what the Saskatchewan Party will do as a Saskatchewan Party government. We very much look forward to that opportunity in the very near future so we can talk about things beyond what we talked about here today — although we did touch on advertising that was done and letters that came forward from the government party — and we will have that opportunity to have that debate.

But today, suffice it to say, I appreciate the minister and the officials coming and talking about matters that are important to the province. It's important that we have this discussion and that the minister knows and his government knows that, on any measures that are deemed to increase the competitiveness in this province, he will have the support of the opposition.

So thank you. Mr. Chair, at this time I have no further questions on The Income Tax Amendment Act and that will complete our questioning.

The Chair: — Thank you very much. Ms. Hamilton, you had a question for the minister.

Ms. Hamilton: — Well yes. There's been a letter referred here and quotes that have been put forward that would say that the minister would know that a party had produced those. And I'm wondering if the minister has any knowledge of such a letter or would be aware of who's put out the letter in community that the member would refer to?

Hon. Mr. Thomson: — I'm not aware of any letter that the member speaks of. And certainly I think that any suggestion that there was advertising undertaken to talk about the business community in a disparaging way was at best a flight of fancy on the part of members of the committee.

I am concerned obviously about the correspondence and the issues that parties bring forward, whether that's the New Democratic Party, the Liberal Party, or the Saskatchewan Party. I am particularly troubled right now by a pamphlet that is circulating in Saskatoon that suggests the Saskatchewan Party would provide a social safety net to benefit those, quote, "truly in need." And I think that this will merit much greater discussion about who the Saskatchewan Party deems to truly be in need of social support. Given that party's record in opposing minimum wage increases, given that party's record in not supporting our increases to social assistance, given the previous leader's attempt to pull \$50 million out of social assistance, I will be watching with great interest as to what ideas they have to meet their stated political interest to deal only with those truly in need as we deal with the poverty issues.

The Chair: — Are there any further questions? Mr. Weekes.

Mr. Weekes: — I'd just like to make the comment, you refer back to the 2003 election. It was possibly the most dirtiest election ever in Saskatchewan history. The NDP party attacked the Saskatchewan Party with everything they possibly could. Sent out information that was not true — quite frankly was a pack of lies. It was full of fearmongering and attacked our leader and our party at every point. And I just, I just like to make the point that if you want to fight the 2003 election today, I guess we could do that.

The Chair: — Could I have order please? We're here dealing with . . . before the committee a Bill dealing with An Act to amend The Income Tax Act. Could we please, in light of our time — we have just a few minutes left — could we stay focussed on the Bill if we could please.

Mr. Weekes: — Well thank you, Mr. Chair. There was a question concerning some letter and I'd just like to give some

advice to the member opposite that if she wants to go back and review the 2003 election, you'll find some interesting letters that were produced by your NDP party.

The Chair: — Thank you very much. Seeing no further speakers, we'll deal with the Bill before us. Clause 1, is that agreed?

Some Hon. Members: — Agreed.

[Clause 1 agreed to.]

Hon. Mr. Thomson: — I just want to thank the members and the officials today.

The Chair: — Thank you very much, Mr. Minister.

[Clauses 2 to 9 inclusive agreed to.]

The Chair: — Her Majesty, by and with the advice and consent of the Legislative Assembly of Saskatchewan, enacts as follows: Bill No. 36, An Act to amend The Income Tax Act, 2000. Could I have a member move the Bill without amendment?

Ms. Hamilton: — I would move we report the Bill without amendment.

The Chair: — Thank you very much. Is that agreed?

Some Hon. Members: — Agreed.

The Chair: — Okay, thank you. That concludes the business before the committee today. I'd like to thank the minister and his officials for coming and for your diligence with the business before the committee, and thank the members for their attention to the Bills. I would now entertain a motion to adjourn.

Ms. Hamilton: — I so move that we adjourn.

The Chair: — It has been moved by Ms. Hamilton we adjourn. All those in favour?

Some Hon. Members: — Agreed.

The Chair: — That's agreed. This committee stands adjourned.

[The committee adjourned at 16:55.]