

**LEGISLATIVE ASSEMBLY OF SASKATCHEWAN**  
**Second Session - Fifteenth Legislature**  
**41st Day**

Monday, April 4, 1966.

The Assembly met at 10:00 o'clock a.m.,  
on the Orders of the Day.

**QUESTION RE INCENTIVE GRANTS**

**Mr. W. S. Lloyd** (Leader of the Opposition): — Mr. Speaker, before the Orders of the Day, in the session on Education Estimates the other evening, the minister was going to make available information regarding the distribution of the incentive, so-called incentive grants. May we ask as to when we may expect to receive this?

**Hon. G. J. Trapp** (Minister of Education): — I think I gave the total grants to everybody and some explanation. What further did you wish, Sir?

**Mr. Lloyd**: — The minister very clearly indicated that he would distribute some information with regard to the basis of return, the amount of the incentive grants. These have not, I believe, as yet been made available. I was just wondering when we may expect them.

**Mr. Trapp**: — I'll look into that.

**Mr. Lloyd**: — Will this also include the amount of dollars that each unit and district will receive from this \$3,000,000 incentive grant?

**Mr. Trapp**: — I'll look into this.

**QUESTION RE SEED GRAIN SUPPLY**

**Mr. J. H. Brockelbank** (Kelsey): — Mr. Speaker, before the Orders of the Day, and now that the Minister of Agriculture (Mr. McFarlane) is here, I would like to ask him if the government will implement the Seed Grain Supply Act for the benefit of those farmers and municipalities in the north where the seed situation is very bad.

**Hon. D. McFarlane** (Minister of Agriculture): — After the question was raised the other day by the member in the legislature, I contacted all my department officials. They realize the situation in the northeast part of the province and are doing everything possible to see that seed is supplied to the people in that area.

**Mr. Brockelbank** (Kelsey): — Mr. Speaker, one of the main things is the question of credit, money to buy it. That is through the Seed Grain Supply Act where the government can guarantee the municipalities' accounts and then the municipalities can make advances. What about this? This is going to be an important one, I think.

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**Mr. McFarlane:** — I'll discuss that with my colleagues and make them aware of it. The government policy will be announced in due course.

**Mr. Brockelbank (Kelsey):** — I wish to thank the Minister of Agriculture. That is a much more polite answer than I got from the Premier (Mr. Thatcher) on Saturday.

Mr. Speaker, just before the committee rose, I was rising on a point in regard to the procedure of the house. I pointed out that on Saturday the Leader of the House was good enough to tell us that we would first take the Labour Bill and then the Pulp Mill Bill, and then Committee of Supply. Now, I think everyone realizes the Labour Bill would take a few hours, so that we didn't expect the Pulp Mill Bill to come until this afternoon at the earliest point of time. I understand the Premier said he wanted to take the Pulp Mill Bill now. I wonder if we could take some other work and leave the Pulp Mill Bill until after lunch?

**Hon. D. G. Stuart (Minister of Health):** — That is fine, we can take some second readings, Water Resources, and we can do some other second readings.

### **SECOND READINGS**

**Hon. J. W. Gardiner (Minister of Public works)** moved second reading of Bill No. 94, **An Act to amend The Water Resources Commission Act.**

He said: Mr. Speaker, in rising to move second reading on Bill No. 94, An Act to amend The Water Resources Commission Act, I would like to first of all give the house a resume of the intentions and purposes of the amendments that are proposed to the Water Resources Commission Act. The expenditures on water development in Saskatchewan are increasing dramatically. In 1958, the province government expenditures on water development for all purposes was in the order of \$3,000,000. By 1961 the annual expenditure had increased to \$18,000,000 and to \$26,000,000 in 1962. In the foreseeable future expenditures can be expected to continue at this or a higher level. Not only are provincial expenditures on water development rising, but the character of the development work is changing. In the past water development was of a single or dual-purpose nature. In the future many of the projects will be very large multi-purpose projects.

In 1964 the legislature approved a bill to establish the Water Resources Commission and that commission was established on December 1st, 1964. This new agency was given an overall advisory consultative co-ordination and planning function relating to our provincial water resources. The act provides that the commission would be responsible for undertaking and co-ordinating studies leading to comprehensive plans for the development and use of our water resources. After investigation by a team of specialists under commission auspices and approval by the government to proceed with the development of a multi-purpose project, the detailed planning and development work is co-ordinated by the commission.

Because the commission has the responsibility to administer the use of the provincial water resources under The Water Rights

Act, the Ground Water Conservation Act and The Water Power Act, it is in a position to know what the overall water requirements are, or are likely to be, in any part of the province. In many cases, the individual needs for water can be satisfied most economically by a common or multi-purpose development.

Other responsibilities given the new agency were: reservoir land use control because land use adjacent to reservoirs cannot be separated from proper water management; general supervision and control over all matters concerning pollution of water because the use of water for dilution of effluent is becoming a major use of our available water; and an advisory role regarding inter-provincial and international water matters.

Let us see what the commission has to say about our water situation in its first report which was tabled in the legislature earlier this session:

In recent years the province of Saskatchewan has been faced with very large expenditures on projects to conserve and utilize our water resources. Greater industrialization, a continuing trend toward urbanization, a strong demand for water-based recreation outlets, and the urgent need to stabilize our agricultural production through irrigation of farmlands will necessitate even greater public expenditure on water resource development in the future.

Industrialization demands an ample supply of suitable water which some parts of the province do not possess at this time. Water is required in large quantities for both hydro and thermal power production purposes to supply the growing demands on our provincial power system.

Some Saskatchewan communities are facing great difficulty in finding an adequate source of water to meet the dual requirements of modern municipal distribution systems and an expanding population. Increasingly personal incomes and greater leisure time have greatly intensified the demand for new and improved water bodies for recreation use.

The growth in our provincial population with its associated increase in demand for meat, vegetables and other specialty crops is creating a local market for such commodities. This market can be supplied by Saskatchewan farmers if there is full utilization of potentially irrigable lands. Yields of common field and forage crops can be greatly increased by irrigation and the application of water to land will make possible the production of specialized crops as well. Secondly, processing industries associated with specialty crop production can be developed to provide employment opportunities for Saskatchewan people.

Multi-use water supply schemes offer great advantages over single purpose projects. The cost of water for each individual use is less and the multi-purpose approach gives greater flexibility in meeting unforeseen future demands for any purposes.

The establishment of this commission in Saskatchewan is based on the conviction that there is a growing need for

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a more comprehensive approach to water planning and development. This conviction was based on a number of factors:

- (1) the rapidly increasing demand for water for all purposes;
- (2) actual or pending deficiencies in water supplies in some areas; and
- (3) the complexity of the problem of meeting these demands because of conflicts between alternative uses in certain basins and the scale and cost of development projects.

One of the first studies undertaken by the commission was that concerning the future water needs in a broad area south and east of Saskatoon extending as far east as the Quill lakes. The centre of activity for the booming potash industry lies in this general area. Three companies, Allan Potash, Noranda Mines and Alwinal, are sinking mine shafts in the area now and many other companies are engaged in an active exploration program in the area. With this boom has come a greatly increased demand for water not only to meet the large requirement of the potash plants but also to meet the long-standing water problems of towns and villages. These towns and villages are already feeling the pressures of a population explosion associated with the potash development. To compound the problem it is an area with a deficiency of surface water and uncertain ground water supplies.

Early in 1965, the commission undertook a preliminary examination of the overall problem and of the feasibility of alternative methods of supplying future water requirements in the area. This preliminary study concluded that as many as eight potash companies could be in operation in the area by early 1970s, and perhaps as many as a dozen will proceed with the development by the year 2000. About 20 towns and villages might be interested in a project that would supply them with good quality water. Furthermore, this preliminary study indicated that 10,000 to 15,000 acres of irrigation could be developed in the area and good potential existed for wildlife and recreation development if plentiful supplies of water could be provided.

In May of 1965, the commission held a three-day public hearing in Humboldt to determine if there was local interest in a multi-purpose project. Strong support for such a plan was voiced by local communities and agricultural and recreational groups.

During the summer of last year, the commission assembled a task force of specialists from the government agencies and outside consulting firms. This task force examined in detail the engineering and economy feasibility of a joint water supply program for this area. By fall, the commission had the reports of this study group and recommended to the government that an early start be made on design and construction of a multi-purpose water supply project using the south Saskatchewan reservoir as a source of water and distributing it to users in the area by means of canals, reservoirs and pipelines. This recommendation was considered by the government and Premier Thatcher announced this government's intention to proceed with the project in December, 1965.

The project involves an extension of the canal system which serves the Outlook-Broderick irrigation project, north and east and from a reservoir at Broderick to Brightwater to Beaver Creek, north to a 54,000-acre-foot reservoir in the Blackstrap Valley near Dundurn, eastward to a 2,200-acre-foot reservoir near Bradwell

a 10,000-acre-foot reservoir near Zelma and terminating in Little Manitou Lake. This can-reservoir complex will supply water for over 10,000 acres of irrigable land enroute, in addition to supplying the base for a splendid recreational reservoir in the Blackstrap Valley and for restoring the falling water level in Little Manitou Lake.

From the holding reservoirs at Bradwell and Zelma, water can be pumped through integrated pipeline systems to ultimately serve as many as 20 towns and villages and the potash industries that will develop in the area. Present plans call for detailed pre-construction surveys on the canal-reservoir component in 1966, and possibly some construction work this fall. This phase of the system will be completed in 1967, and fully operational in 1968. The pipeline components will be added as required. It is estimated that over \$10,000,000 will be required to construct the canal-reservoir component and to complete pipelines to initial industrial and municipal users by 1970.

This project is but the first of many possible multi-purpose water supply projects that may be required because of Saskatchewan's economic expansion. The commission will be examining this year to smaller but similar project to supply individual, urban and agricultural water requirements in the area west of Saskatoon. Numerous requests have been received from organizations and communities in other parts of the province for similar studies and these will be examined by the commission as quickly as their staff resources permit.

The decision to proceed with construction of the Saskatoon-Southeast project made it necessary for this government to consider various forms of administrative organization to undertake the work. The construction of this and similar projects requires the expenditure of large sums of public money and their future operation will involve meeting the day-to-day problems associated with the supply and sale of water to a large number of consumers each with particular needs for water. Day-to-day decisions are required during the construction and operational phases.

As a temporary measure, the government established the Saskatchewan Water Supply Board in January of this year. This board, established by Order in Council under the authority of the Crown Corporations Act, has been given the responsibility for the design, construction, operation and maintenance of multi-purpose water supply projects. This includes the responsibility for negotiating water supply agreements with potential water users. The budget for 1965-67 provides for the advance or loan of \$1,000,000 for these purposes. It is the government's intention that these projects will be expected to repay the money advanced with interest over a period of 20-25 years.

The amendments to the Commission Act proposed in this bill provide for the permanent establishment of the Saskatchewan Water Supply Board as a corporation to design, construct, operate and maintain water control and supply works for the supply of water to any user including municipalities and industries. The bill provides that the board can appoint such staff as required for this purpose. It is this government's intention to utilize as fully as possible the existing technical and other resources in other government agencies and in the private sector. The staff of the board will concentrate on co-ordinating the work of government and non-government consultants and the board, of course, will have the responsibility for final approval of plans and construction work.

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The board will operate with funds loaned by the Provincial Treasurer from monies appropriated by the legislature. In addition, the Provincial Treasurer, with the approval of the Lieutenant Governor in council, may raise such additional sums by way of loan to advance to the board for temporary purposes provided, the aggregate of the monies raised in this fashion do not exceed \$10,000,000. If such advances for temporary purposes are made, they are repayable within one year out of the next year's appropriation by the legislature for this purpose. The board will submit a report to the Lieutenant Governor in Council on its operations for the preceding year including audited financial statements and the report will be laid before the legislature at the session next following the completion of the fiscal year.

The other amendments proposed for the Water Resources Commission Act are intended to give the commission certain additional authority over the use of our water resources. In some cases, all or part of this additional authority is required to allow the board to undertake water supply activity. In these cases the Lieutenant governor in Council may transfer such powers granted to the commission under this or any other act as are necessary for the carrying out of the basic purposes of the board, namely, the design, construction, operation, and maintenance of water control and supply works.

These additional powers include the power to undertake such works and to enter into agreements for the design and construction of such works, for the financing of the works, for the supply of water from such works, for the acquisition of lands or rights or interest in lands for the construction of such works, and for the disposition of lands no longer required.

As I mentioned at the beginning of my remarks, Saskatchewan is into a new era in the field of water management. We are faced with changing costs for water. It is fair to say that we have almost completely utilized the cheap water in southern Saskatchewan, that is the water most readily available in nearby streams and lakes. Now we are faced with much larger expenditures — hence more costly water — to augment the available supply in this part of the province. There are two avenues being explored to avoid or delay the costly importation of water.

First, the commission is developing a system of pollution-control regulations. The dilution of effluent being dumped into our streams is one of our major uses of water. It is hoped that the commission can, with the co-operation of Saskatchewan people and organizations, encourage better treatment of effluent and substantially reduce the amount of water required for dilution.

The second step that can be taken to make more water available locally is to improve the efficiency of use of water. It is essential that we keep much closer account of the use being made of water already allocated.

Provision is made in the bill, therefore, for the commission to cancel or alter water rights in cases where the commission and the holder of a water right have agreed or where the water right was granted on a temporary basis or subject to conditions that have not been fulfilled. The bill also provides for the cancellation or alteration of water rights where the commission is satisfied that the person holding the right no longer requires that right. In such cases the person may demand a public hearing. If the commission continues to believe that the right should be cancelled, the person has the further right to appeal to the

cabinet.

The bill also provides that the commission may fix fees or charges for the right, privilege or authority to use water. The existing Water Resources Commission Act provides that the commission with the approval of the Lieutenant Governor in Council may make charges for the right to use water from reservoirs created as a result of the construction of water control works. It is now apparent that in many streams in the province the supply of water is not adequate to meet all requirements. The only way that additional water can be provided in these streams is through the construction of expensive systems of inter-basin diversion. In the case of inter-provincial streams, like the Saskatchewan, we may well be faced in the future with the prospect of sharing the costs of inter-basin diversion in other provinces in order to ensure adequate supplies for our needs in Saskatchewan. It is the government's firm belief that a portion of the costs of such developments should be borne by those who will benefit from the assured supply of water. It is the intention that any charges made will be fair and equitable, but, if any person is dissatisfied with the scale of charges made by the commission, he is granted the right of appeal to the Lieutenant Governor in Council.

In summary, the government is faced with the necessity of spending large sums of money to meet the greatly expanded water needs of our booming economy. To provide the machinery to design, build and operate multi-purpose water supply projects to meet these needs, this bill establishes a Water Supply Board to do this work. Additional powers are requested in the bill to allow the commission to maintain a tighter control over the use of water resources.

While the details of the proposed amendments will be examined in committee, it is the government's view that they represent logical steps in the evolution of a system of proper water management in this province.

Mr. Speaker, with those remarks I would be leave of the Assembly to move second reading of this bill.

**Some Hon. Members:** — Hear, hear!

**Mr. I. C. Nollet (Cutknife):** — Before the minister sits down, Mr. Speaker, could I ask him some questions. I hope I am not interfering with his rights to close the debate.

I would ask him first of all whether the service of water being provided to the water users or consumers are on an agreed basis by agreement?

**Mr. Gardiner:** — Well, I suppose eventually there will be an agreement. The charges will, of course, be set by the board, the charges for water, and, of course, if a community makes an agreement with the board or an industry makes an agreement with the board for the use of water at that rate, well, of course, it would be by agreement.

**Mr. Nollet:** — There is no provision here then for any compulsion in regard to the consumers taking water at the rate stated by the commission.

**Mr. Gardiner:** — Well, there is compulsion,

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or they wouldn't be able to get this water any other place except from the commission. The commission will be the sole supplier of water from these sources, but there will be no compulsion on a person actually taking it if they don't want to take it, or the municipality either.

**Mr. Nollet:** — This is a bit different approach, I take it, than is the case with a designated irrigation area.

**Mr. Speaker:** — If the member has a definite line of questions, he is welcome to ask them in committee.

**Hon. W. S. Lloyd** (Leader of the Opposition): — Mr. Speaker, in the session of 1964 when I had the responsibility and, indeed, the pleasure of introducing into the legislature the fairly extensive and very important basic legislation with respect to developing and use of water resources, it seems to me that the proposals which the minister has put before us this morning represent agreement in principle with the basic act at that time. They represent a kind of development which many of us have been expecting and hoping and realizing is completely necessary.

I think that for much too long too many people have underrated the importance of this resource of water. Too many people, perhaps, have not pushed the public responsibility with respect to it, such as the minister indicated this morning is going to be necessary in the future. On the whole, it appears to me at this moment, Mr. Speaker, that the proposals are ones that ought to be welcomed and supported. However, we saw the bill only in the last part of last week, perhaps as late as Saturday, or Friday. The minister has added a considerable amount of information this morning. It would be my wish to examine somewhat further the remarks made this morning and on that basis I would like to beg leave of the Assembly to adjourn the debate.

Debate adjourned.

### **WELCOME TO STUDENTS**

**Mrs. Sally Merchant** (Saskatoon): — Mr. Speaker, I would like to draw attention to the fact that seated in the east gallery is one of the school groups from Saskatoon. They are from Christ the King School and separate schools in the city of Saskatoon and they are lead today by their teachers, Mr. Troupin, Mr. Wild and Mr. Crezinski. I know that you would like me on your behalf and on behalf of the members assembled to welcome them to the Assembly and wish them a very good day here.

**Hon. Members:** — Hear, hear!

### **WELCOME TO MR. GERARD**

**Hon. L. P. Coderre** (Gravelbourg): — Mr. Speaker, I cannot help but say a few words. There is a gentleman in the gallery, Mr. Pierre Gerard whose age is 77. I can safely say that his attendance in this legislature for the last five years by far exceeds the attendance of any members of the house. Just for example, last year he walked up and down these steps, a total of 9,360 steps which I think is a very



commendable job for Mr. Gerard. I think this house should join me in thanking him for such faithful attendance at this legislature.

**Hon. Members:** — Hear, hear!

**Mr. H. H. Brockelbank** (Kelsey): — Mr. Speaker, who is the Minister of Industry and Commerce?

**Hon. D. G. Steuart** (Minister of Public Health): — Mr. Grant is.

**Mr. Brockelbank** (Kelsey): — Thank you. I wondered if there had been a cabinet shuffle.

**Mr. Steuart:** — Who is the member from Kelsey?

**Mr. Brockelbank** (Kelsey): — The old Kelsey or the new one?

**Some Hon. Members:** — Hear, hear!

## ADJOURNED DEBATE

### SECOND READING

The Assembly resumed the adjourned debate on the proposed motion of the hon. J. M. Cuelenaere (Minister of Natural Resources), Bill No. 90 — **An Act to assist the Prince Albert Pulp Company in establishing a Pulp Mill in Saskatchewan**, be now read a second time.

**Mr. A. E. Blakeney** (Regina West): — Mr. Speaker, this bill deals with the financial assistance which is to be made available with respect to the proposed construction of a pulp mill at Prince Albert. I want to comment on the remarks of the Minister of Natural Resources (Mr. Cuelenaere).

Let me say first, Mr. Speaker, that I welcome the construction in Saskatchewan of a pulp mill. It has long been recognized that Saskatchewan had a quantity of timber that could best be converted to economic use by the construction of a pulp mill or a pulp and paper mill. I would have like to have seen a paper mill but a pulp mill is a real addition. It was recognized that there were difficulties, principally marketing difficulties, and that there would come a time when the consumption of pulp in North America would warrant the use of Saskatchewan wood. We welcome the indications that that time has arrived. I congratulate the government on the vigour with which they worked for the establishment of a pulp mill in Saskatchewan. I have had the opportunity to scan the many legal documents involved. I can't claim to have read them in detail; such a review would involve many hours of intense study. In my remarks on the Budget Debate I made reference to the proposed pulp mill and I outlined a number of queries which I had. It will be recalled, Mr. Speaker, that this was before the agreements were available to us.

The Minister of Natural Resources (Mr. Cuelenaere) dealt with the matters which I had raised, or at least some of them. Let me deal with a question which I raised in the Budget Debate. Mr. Speaker, I hasten to advise you that I am not going over that ground again, but only over the ground which the Minister of Natural Resources covered in his introductory remarks on second

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reading of this bill.

Mr. Speaker, I first said that I would want to be shown the studies by independent consultants, which studies showed that the particular project was feasible. The minister advised that a study by a Parsons and Whittemore affiliates had indicated that the project was feasible. With that I'm unimpressed. I would have been amazed if the persons who had in sight a \$50,000,000 building contract would not have been able to show the project feasible. I believe the government should have turned over the Parsons and Whittemore study to an independent consultant for a comprehensive study. So far as I can see they have not done that. The two-page letter with the attachments from another consulting firm on the west coast cannot be classed as a feasibility study or even a check or a verification of a feasibility study. It doesn't even pretend to be that. On the basis of the information given to the house, the only comprehensive feasibility study which has been made as to the economic soundness of this project is the one done by the sponsor-contractor. I think that this is pretty poor practice on the part of the There are many first class consulting firms that could have been engaged to check out the Parsons and Whittemore report and this should have been done. I don't for a moment say that reliance should not have been placed on the Parsons and Whittemore report and this should have been done. I don't for a moment say that reliance should not have been placed on the parsons and Whittemore report as a start, as a point of departure. But from that point the government should have engaged a first class consultant, and I could name many, who should have checked out this report point by point. Not to do so is a gamble. I don't say that the gamble will lose but I say that to the extent that the government hasn't checked information that they could have checked, the gamble is unnecessary.

Mr. Speaker, I asked about the freight rate hurdle. The answer was that a minor reduction has been achieved but the major hurdle still remains. This problem is a serious one unless it is solved, and unless it is solved any mill in Saskatchewan will be severely penalized. The minister says that even with the relatively high freight rate structure which now exists, the mill is viable. I hope he is right but I was certainly disturbed to hear that this major hurdle had not been overcome.

I asked them whether the sponsors had committed themselves to go ahead with the project in a fixed time, and the minister advised that Parsons and Whittemore were committed to go ahead with the pulp mill venture. But as I read the contracts, Parsons and Whittemore is obligated to go ahead; but their obligation runs in favour of the Prince Albert Pulp Company and not in favour of the government. If they don't go ahead with the project the only person who can quarrel is the Prince Albert Pulp Company. That's right. See if you can find a commitment in any contract with the government that says that Parsons and Whittemore or the Prince Albert Pulp Mill promises to build this mill in any particular period of time. You will find two references to it. One by Parsons and Whittemore in their contract with the Prince Albert Pulp Company which can only be enforced by the Prince Albert Pulp Company which is controlled by Parsons and Whittemore — I don't think that covenant is worth much — and one in the forest license agreement, the penalty for breach of which is that they don't get the agreement if they don't build a mill. But this is not a very great penalty. I can't see where Parsons and Whittemore or the P.A. Pulp Company has given any undertaking to the province, any undertaking by which they will lose anything, if they don't fulfil, to go ahead in any particular period of time.

As I say, perhaps I have missed it in the maze of contracts.

of which there are eight or nine. Certainly it's not in the Master Agreement and that is where I would expect to find it. the Master Agreement, so-called, contains virtually no covenants on the part of the P.A. Pulp Company or Parsons and Whittemore. I invite anyone to read over that Master Agreement; just check the covenants one by one and see who is promising what. The only single covenant in there which binds the sponsors is that if the mill is built the persons who build the mill will see that the arrangements in the mill with respect to pollution are the same as in most other pulp mills. Other than that there are no covenants by the sponsors.

Now, it is true if you want to go through an involved process we find that Parsons and Whittemore have an agreement with the P.A. Pulp Company. This agreement is mortgaged to the government, and that therefore the agreement is part of the mortgage premises. And if the government forecloses its mortgage, presumably it would get a claim against Parsons and Whittemore but it wouldn't get this until it had to foreclose. It wouldn't get this until P.A. Pulp Company was in effect bankrupt, and at this point the covenant is not much good.

Now, Mr. Speaker, I'm not suggesting that there should necessarily have been stringent covenants to go ahead. I am suggesting that as a minimum the government should have got a promise from P.A. Pulp Company that, if the notes were guaranteed, P.A. Pulp would go ahead with the construction of a mill by a given date. Not Parsons and Whittemore to P.A. Pulp, but P.A. Pulp to the government. The government is guaranteeing the notes of P.A. Pulp, and P.A. Pulp should have promised the government that, in exchange for that guarantee, they would go ahead with the mill at some fixed time, not necessarily a closely defined time but within three years or four years or whatever would be a fair leeway. But if such a promise is there, Mr. Speaker, I have been unable to find it.

The fourth question I asked concerned the approximate dollar amount of the government's commitments. Mr. Speaker, they are substantial. There is a guarantee of \$50,000,000. There are shares to be purchased by the government for \$1,500,000. There are shares which are apparently also to be purchased by the government of an additional \$1,500,000 worth of shares as a compensation for its guarantee, but the agreements filed the other day suggested that the government was going to have to put up \$1,500,000 in cash for these shares. I don't know whether it will be able to recoup this \$1,500,000 at some other time. I wish that the minister would clear up this point when he closes the debate. The point I am now raising, Mr. Speaker, in case I haven't made myself clear, is with respect to the \$1,500,000 worth of shares which the government was to get as compensation for the guarantee but as it now appears the government may have to pay for. This appears to be the effect of the amendments which are negotiated as of a date in February but which as I understand are not yet executed. Again I may be misconstruing this and I will ask that the minister deal with this in closing the debate, if he wouldn't mind.

There are other commitments, a gas pipeline, roads, a bridge. With these no one can have any real quarrel because if any major industry comes in you would certainly put a gas pipeline in. You'd be prepared to build a road of a couple or three or four miles, and a bridge. No quarrel there. The commitment to build

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20 miles of main road a year or 200 miles every ten years is a considerable commitment, which will involve the expenditure of public funds of, I would guess, a minimum of \$500,000 a year. This is a considerable concession since I suspect it will mean that P.A. Pulp Company will get a substantial portion of their logging roads built as public roads. I realize that these are main all-purpose roads but 200 miles in that general area every ten years strikes me as quite a number. I think that what will be built will be a grid of main roads whose prime function will be forest extraction, accordingly the prime beneficiary of which will be P.A. Pulp Company. There are additional commitments with respect to gas supply and gas price. There are further possible commitments on the part of the Crown with respect to losses in logging operations. The terms upon which the company will be permitted to buy the logging operation of the Saskatchewan Timber Board are very favourable, a rate of interest which is well under six per cent. Certainly any time you can get money at under six per cent now you have got yourself a deal.

There are a number of minor concessions. They can be illustrated by one which I will instance. There is a provision for loss equalization on the logging operations for the period from 1967 to 1971. At the end of that period if there is a profit the Timber Board is to pay the company. If there is a loss the company is to pay the Timber Board 50 per cent of the profit or loss in each case. The difference is that the Timber Board has to pay its 50 per cent to the company in 20 days. The company to pay its 50 per cent to the Timber Board in 20 years at no interest and doesn't have to pay in any year that its profit isn't ten per cent. I am not suggesting this is going to be a large sum of money, but the inequitable nature of the loss equalization clause suggests the tone of many of the concessions which were made throughout the agreements. Generally speaking there are a large number of financial concessions to the company; many of them relatively minor in size but all aggregating many millions of dollars. The question which arises is not as to whether these concessions should have been granted. It may well be that they were necessary in order to get the mill. The question which does arise is whether the government should have received a greater equity participation in exchange. Certainly the nature of the 's commitments put the government in a position, not of mortgagee, but of equity participant. If this company doesn't succeed the government is going to lose a substantial sum of money. Its mortgage will not protect it — not fully, only partially. Therefore it is taking the equity risk and should have got a substantial piece of equity profit. I say that the government appears to have done not too well in the bargaining.

The next question which I posed was this. Can the sponsors make a substantial profit on the construction of the mill as opposed to its operation? Here too I think the government has been as I would term it, lax. The minimum that they should have done was to hire a first class consulting firm to review in detail the Parsons and Whittemore feasibility study. They have obtained a letter from a consultant who I assume is competent; I have no reason to believe otherwise. But there is no suggestion that he gave the Parsons and Whittemore feasibility study a full review. A look at the letter would indicate that he didn't have the full report before him. Certainly that is what I take out of the letter.

I don't know what a competent firm of consultants would say, if they had considered the whole Parsons and Whittemore feasibility study, about the price that that mill could be built for. I am

not saying that Parsons and Whittemore are going to make a killing on this mill but I am saying that the government can't say yes or no. They have a two-page letter with some comparisons, gross comparisons in the sense that there is no evidence that the person who gave his letter of opinion had studied the Parsons and Whittemore feasibility study in detail. He said he had seen the flow charts, he had seen the list of machinery and it looks standard. I don't know whether the person who gave the opinion had ever been to Prince Albert. Perhaps he has but he doesn't indicate that he has ever been to Prince Albert. It's pretty hard to give an opinion on how much a mill would cost to be built on a given site, if you haven't made a thorough study of the area. I don't know what such a consultant would say after a full study and we'll never know. We'll never know because the government chose to gamble. The gamble may pay off but I suggest it's an unnecessary gamble.

Now, this whole deal has enough risk in it and enough perfectly legitimate risk — I'm not complaining about that — without adding to it, and the government should have cut down its risk by getting the full facts from an independent source. This it does not have. It doesn't have those full facts and I, therefore, suggest it is taking an unnecessary gamble. The possibility that the sponsors can make a large part of their \$7,000,000 equity participation could have been negated by such a study. It has not been. The possibility remains that the sponsor's real risk is negligible compared with the size of the operation and the participation by the government.

There has been a further recent change that I don't thoroughly understand, and that is that the company is to become a public company. Am I to understand from this that the sponsors will be able to sell off their shares? If so, it raises the possibility of the sponsors being able to sell out and get out regardless of the economic prospects of the venture. Maybe they can get out with a profit even if the mill doesn't turn a wheel. We will seek further information on this change in committee. We will also ask what this change from a private company to a public company does to the government buy-sell agreement, because I find it very difficult to see how a buy-sell agreement could operate if these shares are public in the sense that they are listed on any stock exchange.

The next question I raised is whether any municipality has to give concessions to the mill and why. Mr. Speaker, we have covered that subject in another debate and I don't propose to refer to it further.

I think, Mr. Speaker, from the observations which I have made it is clear that in my view the government has not done a sufficiently rigorous job of obtaining independent information before it took the very real and perhaps very proper gamble to back this venture. Mr. Speaker, I now want to turn to the broad principle of the bill, the guaranteeing of financial support for a pulp mill.

I approve of the construction of a pulp mill in northern Saskatchewan. It will be a real benefit to the province. And I approve too of the provincial government giving appropriate financial assistance. I want to say that I am not one of these benighted private enterprisers who believe that the so-called free market can be depended upon to provide capital for economically sound ventures. I know that some members opposite may fall into that category. Certainly many of them used to. I remember when

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the government of Saskatchewan began the program of guaranteeing money to support industry. I can remember the bitter opposition of the doctrinaire Liberals. I remember one of them commenting that if it's a good idea why won't the private markets provide the funds. Well, in those days the Liberals opposite government interference, as they called it, in the free money market. The free money market is another myth which the Liberals and the other private enterprisers have foisted upon the public, but even they have abandoned the idea. It doesn't exist now. It didn't exist then. And so I won't be raising any doctrinaire objections on that score. There may be many objections to the idea, but I am not worried about the fact that it makes nonsense of the discredited and worn out theories of the private enterprisers.

Now, these same doctrinaire souls objected to the next big guarantee; to the steel mill. "Approaching a scandal", I believe were the words of the member from Morse (Mr. Thatcher). Well, let me say this, that the arrangements we had with the steel mill were far tighter, required far more guarantees of performance from the sponsors than these pulp mill arrangements do, and required far fewer side concessions from the Crown. So if the steel mill arrangements were approaching a scandal, I ask you to choose your own adjective for these pulp mill arrangements.

Well, Mr. Speaker, be that as it may, I find myself in agreement with the principle of the bill. I have been in agreement with this principle for ten years and I welcome the support, somewhat belated support, but nevertheless the support of the Liberal party to this principle. Some of them, as I say, are recent converts but we shouldn't turn them out on that account.

The venture involves large risks of capital of the people of Saskatchewan. As I have already noted I am far from convinced that the Crown has taken reasonable steps to minimize the risks. I hope that the minister will offer more evidence to prove that the government did its own studies and is convinced from independent sources on all aspects of the feasibility of this project. I hope he can show that he is not relying on the feasibility studies put forward by the promoters.

But, Mr. Speaker, we know how desperately the government needs this pulp mill. We know that they have made wild claims about the increase in manufacturing. We know that the figures keep proving them mistaken. The figures which are put forward about the great increase in manufacturing keep getting rebutted by the Dominion Bureau of Statistics in a most inconvenient way. The government must find something to shout about. We know that for two successive years the investment in manufacturing has actually gone down from the 1963-64 period. We know about the heavy water fiasco. We know that other people outside of Saskatchewan are beginning to see through the screen of ballyhoo, and I can't illustrate that more succinctly than to quote the remarks of the Alberta Minister of Industries, the hon. Mr. Patrick as quoted in the Calgary Herald of February 26th, 1966. The report says this:

Confidential discussions are being held with a number of firms and a possible new manufacturing complex which would include a heavy water plant in Alberta, the Minister of Industry, Mr. Russel Patrick, told the legislature Friday. He said he could give no details except that any new industry would not involve the import of raw materials. Alberta would not subsidize industry, he said. Even without subsidization we are getting

more than Saskatchewan and Manitoba combined. He said there are constant reports of plants coming to Saskatchewan but usually they don't materialize.

Even he has seen through the screen of publicity which the Premier (Mr. Thatcher) substitutes for economic development. But we on this side of the house want to see industry come. We have no objection to co-operation between industry and government. We welcome the development. We will have many questions to ask in committee about the particular arrangements between the Crown and the P.A. Pulp Company and Parsons and Whittemore. But in principle we welcome the development and welcome it most heartily. Therefore, Mr. Speaker, I find myself in support of the bill.

**Mr. Speaker:** — I must draw the attention of the members to the fact that the mover of the motion is about to close the debate and if anybody wishes to speak he must do so now. The attention to the fact that the mover of the motion is about to close the debate. If anyone wishes to speak he must do so now.

**Hon. J. M. Cuelenaere** (Minister of Natural Resources): — Mr. Speaker, I don't think that I am going to be very long in closing the debate. I must say from the outset that I was very pleased (Mr. Blakeney) was in agreement with the general principles of the bill, and that he, too, and I presume that he is speaking on behalf of the opposition, welcomes the coming of the pulp mill to Saskatchewan. We are very pleased to hear that.

The hon. member for Regina West (Mr. Blakeney) brought up certain matters, namely a number of questions that he had raised earlier in the house relating to the studies and other matters that were contained in the agreements. The first point of what might be termed criticism was why would the government not turn over the feasibility study to an independent firm. He accused the government of being lax in that regard. Well, Mr. Speaker, I wish to point out firstly that Parsons and Whittemore have within their own institution, within their own corporate set-up, a branch which specializes in feasibility studies of pulp mills, not only for themselves but for countries, for other companies. I am informed that they have made feasibility studies involving a large number of mills. Some of these studies have been made on the other side of the Iron Curtain. They have built mills in Russia and other countries at the request of the government. They have gone to those countries and made feasibility studies. They made a feasibility study in Greece; they made one or several in Asia, in Vietnam and in other countries. They have made a number of feasibility studies in the United States. According to all the reports that we have been able to obtain every single mill that they recommended and went on with construction has turned out to be successful. Now to begin with that's a pretty fair recommendation. We felt that a company such as that, one that was organized and equipped in themselves to make a complete and thorough feasibility study, was one that we could rely on to a fairly great degree. But nevertheless, and before I go on to another point I should say that this company is now operating a number of mills in which they are not interested under contract with governments and companies and they are operating mills in which they have made an investment following their own feasibility study. In the case of the Belgian mill, in the case of the French mill, they made a feasibility study and because they felt that the construction of the mill was sufficiently feasible that when they were invited to make a contribution to participate in the equity money, in the equity of the mill, they accepted the invitation

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and went in.

Now, when they came to Saskatchewan, they came in as many other companies had in the past to make a feasibility study. Their report was a very good report. They were enthusiastic about the prospects of a pulp mill in Saskatchewan. They were willing to risk their own capital to the tune of \$7,000,000. The opposition made the suggestion that because Parsons and Whittemore are going to construct the mill, it may be that they are going to make a certain amount of profit on the construction of the mill. Nevertheless they were willing to take that profit, when they could have been building mills elsewhere, and they are prepared to place not only the profit but possibly a substantial contribution of their own money into the construction of this mill. This company is prepared to place their reputation at stake in the construction of this mill and in the operation of the mill. They are prepared to commit themselves for a minimum period of 20 years from 1969 to operate the mill. The nature of the reputation of Parsons and Whittemore is indicated in some of the loan agreements. It is a condition of the loan agreements which Parsons and Whittemore are prepared to sign that the mill must be operated under the general supervision of Parsons and Whittemore. The people who loan these amounts of money to the Prince Albert Pulp Company know Parsons and Whittemore; they know them by reputation; they know their ability to operate this type of industry. Because of that they insist that as an added guarantee the money which is loaned will be repaid. They demand that Parsons and Whittemore take an active part in the operation and the management of the mill. In the light of all this one would have thought that with all this background of reputation this would have been sufficient. I suggest that when we deal with industry one of the important things is that we deal with reputable people; people who have experience in the building and in the operation of the mill. This is one of the important factors and probably one of the most important factors of all. I think that any time a bank makes a loan it feels that the moral risk is what is the real important factor in the validity of the loan or in deciding whether the loan should be made. Here we have reasons to believe that our own enquiries, from statements that were made, from information that we were able to obtain, from bankers, financiers, industrialists, not only in Canada and not only in the United States but in Europe as well, that we have such a firm. We were able to obtain only the very best of recommendations for this company that was coming to Saskatchewan.

While we felt encouraged and while you would think that that was all we needed, the government, far from being lax as is suggested by the hon. member from Regina West (Mr. Blakeney), nevertheless took the added precautions to engage these services of an independent consultant. Before that independent consultant was engaged every step was taken to make sure that it was a competent firm, a firm that had been involved in pulp mill construction and in pulp mill consulting work for a long period of time. The entire plans for the construction of this mill, all the specifications, the agreements were placed at the disposal of this consultant. He spent a considerable amount of time checking into the specifications and into the project generally and he came out with a strong recommendation both as to the ability of the mill to produce and also that the cost of the mill to the Prince Albert Pulp Mill Company was a reasonable one. I believe that if there had been any suggestion on his part — his report, his advice has been tabled — that this mill might have been — on a per unit basis, somewhat costly, had there been any suggestion on his part that there was a danger of inferior construction or an



inadequate mill that could not produce the quantity of kraft pulp that it was designed to produce, if there had ever been any of these suggestions it was our intention to look into the matter more closely and probably further. But I think the report is very clear that the mill as it is designed will produce the quantity and quality of the pulp that it is intended to produce, and secondly, that the cost is lower than the average on a per daily ton than other mills that are being constructed in British Columbia and elsewhere in Canada and the United States. In other words, it was felt that, because the cost per daily ton was something, on an average, of \$12,000 below the average cost of the mills that are being constructed in British Columbia, this mill was being constructed at a reasonable cost and in all likelihood the contract price for the construction of the mill was a reasonable one.

Now I am not going to deal at any length with the question of freight rates. I mentioned them in my address originally. As I pointed out I agreed it is an important factor but it must be borne in mind that the feasibility study was based upon the freight rate as it existed at the time the feasibility study was made. Since then the concession we have been able to obtain is not a very large one but it still amounts to approximately 5 per cent and this is going to help the company to some extent. I am fairly convinced that the government must take steps along with the Prince Albert Company to make further representation for further concessions. But Parsons and Whittemore are quite prepared to proceed with the construction of this mill and are going to proceed on the basis of the presently negotiated freight rates. As I said before we are quite satisfied that the mill is viable under the present structure.

Now there is some question in the mind of the hon. member (Mr. Blakeney) as to whether or not this mill is going to be proceeded with at the time that is fixed. I think that possibly I can better deal with this in committee. I am quite satisfied that this company is going to honour the terms of the agreement that was entered into between the Prince Albert Pulp Company and themselves, Parsons and Whittemore, and the Provincial Treasurer, whereby they committed themselves to a fixed schedule. I can now tell the members of the house that to my knowledge steps have been taken to order machinery. Substantial expenses have been committed. I feel quite satisfied that there is no question but that the construction of the mill is going to be proceeded with. They are committed to take these steps and I am quite satisfied that they are going to do so. But I do want to point out that the guarantee agreement makes certain provisions for the construction of the mill and under what terms and that there is no guarantee to be given by the province unless the construction of the mill is proceeded with, and, secondly, that the agreement with the trustees clearly shows that the trustees will not advance money unless the mill is proceeded with. I am quite satisfied that there is sufficient safeguards in the several agreements that have been signed to protect the province in the event that the mill is not proceeded with. Certainly the loans are going to be made on a progressive stage. Only a portion of the loans are to be made originally and of course further amounts will be advanced as the mill progresses. The final amount of the loan will not be made until the mill has been completed, properly tested and in operation.

Now certain statements were made with respect to the share capital. It is true that the province has made one contribution towards the purchase of shares, but it must be borne in mind that Parsons and Whittemore have also made a very substantial payment of

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70 per cent. Right now as it stands within 30 days after the signing of the agreement, or at one stage, Parsons and Whittemore made a contribution which in proportion to the contribution of the province was 70 per cent to 15 per cent on the part of the province as a cash contribution. Parsons and Whittemore put up the cash for their first proportionate payment. The government paid 15 per cent of the first contribution and the other 15 per cent comes out of the amount that is paid to the province as consideration for the loan. Well, the hon. member from Regina West (Mr. Blakeney) made some reference to the recent amendment whereby the payment of the \$1,500,000 was going to be made immediately, that is to say, it was going to be retained by the company. I think that the employee doesn't really make any difference. The original agreement provided that the shares were going to be allocated to the government on a certain schedule, 15 per cent for payment in cash, 15 per cent for the consideration for the loan. Under the new arrangements — and it is strictly a bookkeeping arrangement — the \$1,500,000 will be paid to the government but the government will immediately return it to the Prince Albert Pulp Company. In effect there is really no change. It just works out on the same basis; it is strictly a matter of the difference in bookkeeping and for some good reasons.

I think some reference was made to the fact that this was a public company. I think the hon. member (Mr. Blakeney) expressed some fear and wanted to know why. Parsons and Whittemore and the government were quite satisfied to keep it as a private company. This was the original intent. The reasons for transferring it to a public company are purely technical reasons. It appears that, because there was a canvas or an offer for the loan money in New York, the solicitors feared that this may have amounted to a public offering of debentures or the loan money. I think it would be noted in the agreement, the loan agreement, that there are quite a number of pension funds which are contributing towards this \$50,000,000 in Canadian money and there was some fear that this was going to amount to a public offering. It, therefore, became necessary to convert it to a public company. But, Mr. Speaker, I should point out that this does not affect the terms of the shareholders' agreement. Whether this is a private company or a public company the shareholders' agreement is still binding. The shares are not going to be put on the market for sale. The terms of the agreement that neither party can sell without offering them to the other party on a first refusal basis still applies, and the contract not to dispose of shares except to immediate subsidiaries still applies. There is no intention of changing the terms of the agreement in respect to the holding of shares.

Now, Mr. Speaker, I don't think that I am going to deal at any length now with the question of the loss equalization clause. The hon. member for Regina West (Mr. Blakeney) pointed to the clause in the Acquisition Agreement whereby the 50 per cent loss that may be sustained in the cord wood operations would be spread over a period of 20 years and was not subject to interest. That is correct. I should point out, however, Mr. Speaker, that at first the company came to Saskatchewan and requested wood at the price in the neighbourhood of \$17. They made that request based upon the publicity that was put out in 1960 and 1961 by the Department of Industry. I referred to that publicity, that brochure that was put out where it assured, where it invited people to come to Saskatchewan to construct a pulp mill on the basis that wood could be produced at \$17 a cord. This placed the present government at some disadvantage. There was a statement that in 1961 wood could be supplied at \$17 a cord, there were commitments made to companies. It was indicated by the Premier and by

myself in another debate where the former government had offered to supply wood at that price. Well now we are able to negotiate an increase in that price to \$18.50 plus the escalation clause of 10 per cent. On top of that we were able to negotiate the loss equalization and the terms quoted by the hon. member were the best that we were able to obtain. I will admit that in that regard I would have like to obtain an agreement that would have required payment earlier or, alternatively, interest on the loan, but this was the best that we could do until 1971. But it must be borne in mind that in 1971 under the Acquisition Agreement the Pulp Company will take over the entire operation and if there is a loss — we hope that there isn't a loss — that 50 per cent of it will be recovered.

Now I think that I can now conclude my remarks and leave other details to the discussion of the bill in committee. I think that there are a number of questions that can be answered at that time although as far as my notes would indicate I have tried to cover most of the points that have been raised by the hon. member for Regina West (Mr. Blakeney). He did say, however, in conclusion that “we know how desperately the government needs this mill”. Well, Mr. Speaker, I can assure you there is no doubt that we want it, but I don't think that we need it nearly as much as the previous government needed it. I think that the previous government had made promises, made announcements that led people to believe that a pulp mill was coming, and on at least two occasions the matter just fell flat and that is the last we heard of it. Well, we were never in that position. As far as this government is concerned it had only pledged itself to exert all its effort to bring industry to Saskatchewan. We have made no commitments on the question of a pulp mill and were very careful, Mr. Speaker, not to make an announcement of a pulp mill until a set of agreements had been signed, had been completed and the mill was virtually assured. I think that right now the mill is committed for Saskatchewan. While the agreement may not be in every respect perfect, we must bear in mind that is a result of months and weeks of negotiations. It required give and take on both sides. Certainly when the agreement was signed it was a long ways from the original offer of Parsons and Whittemore. They came a long way towards meeting us; we had to take some steps toward meeting their requests. But I think that we finally got a mill on a fair and equitable basis, on a basis that would first of all ensure a mill for Saskatchewan. Secondly, that it will ensure a mill that will be viable, practical and would be feasible. There was no point in us demanding terms from the mill that would be exorbitant and that they could not carry out. We thought that we should enter into an agreement that would provide a mill which would be a good mill, and a good industry for the province and would bring about the employment which we feel is required for the area.

Now, I gather from the remarks of the hon. member that they are going to support the bill. Second reading has been moved and I must say that I appreciate the fact that they are going to give it support on second reading and pass it in principle.

**Mr. Blakeney:** — I wonder if he would confirm my understanding of his remarks that the consultants engaged by the government did not review the full Parsons and Whittemore feasibility study and did not visit Prince Albert.

**Mr. Cuelenaere:** — I think I can probably answer this. They certainly made a full review of the feasibility study. I have no knowledge as to what steps they took towards visiting Prince Albert.

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Motion agreed to on the following recorded division:

**YEAS — 50**

Thatcher	MacDonald	Blakeney
Howes	Gallagher	Davies
McFarlane	Breker	Thibault
Cameron	Leith	Whelan
Steuart	Radloff	Nicholson
Heald	Romuld	Dewhurst
Gardiner (Melville)	Weatherald	Berezowsky
Guy	MacLennan	Michayluk
Merchant (Mrs.)	Larochelle	Smishek
Loken	Hooker	Link
MacDougall	Coupland	Brotten
Grant	Gardner (Moosomin)	Larson
Coderre	Lloyd	Robbins
Bjarnason	Cooper (Mrs.)	Pepper
Trapp	Wood	Brockelbank (Saskatoon)
Cuelenaere	Nollet	Pederson
McIsaac	Brockelbank (Kelsey)	

**NAYS — Nil**

On the motion of the Hon. Mr. Steuart, the Assembly adjourned at 10 o'clock p.m.