

LEGISLATIVE ASSEMBLY OF SASKATCHEWAN
April 29, 1983

The Assembly met at 10 a.m.

Prayers

ROUTINE PROCEEDINGS

WELCOME TO STUDENTS

Hon. Mr. Pickering: — Thank you, Mr. Speaker. It's indeed a pleasure for me to introduce to you and to all the members of the Assembly 22 grade 9 students seated in the west gallery, from the Gladmar Regional High School. They are accompanied here today by Tom Boen, Arlene Rasmussen, Myrna Larsen and bus driver, Craig Offet.

I hope they find the question period enjoyable and perhaps informative and educational. I know it'll be enjoyable if we have question periods like we've had in the last three or four days.

I will be meeting with them for pictures at 11:30, and refreshments downstairs immediately following that. I hope all members will join in wishing them a pleasant stay here in Regina and a safe journey home. Thank you.

Hon. Members: Hear, hear!

Mr. Lingenfelter: — Mr. Speaker, I wish to introduce to you and through you to the members of the Assembly a group of nine grades 7, 8 and 9 students from the Ferland Elementary School. They are travelling with Therese Rivard and Juliette Nogue. They will be touring the building when question period is over and I hope they enjoy the question period, as mentioned by the member opposite. I'm sure that all members will want to join with me in wishing them a good return to our constituency and an enjoyable stay in Regina.

I will be joining with them for pictures and drinks after question period.

Hon. Members: Hear, hear!

Mr. Boutin: — Mr. Speaker, I'd like to introduce to you and through you to this Assembly 18 grade 12 students from Wakaw who are sitting in the Speaker's gallery, and Mr. Raymond Rivard.

I also would like to mention that I will be taking pictures at 11 o'clock with you and drinks at 11:05.

I would like the Assembly to join with me to welcome them here today.

Hon. Members: Hear, hear!

QUESTIONS

Disclosure of Confidential Information

Mr. Shillington: — Thank you very much, Mr. Speaker. It's a question to the minister in charge of the Saskatchewan Housing Corporation. It concerns, Mr. Minister, the disclosure by your administration to government back-benchers of confidential information concerning the affairs of my colleague, the member from Cumberland. I would remind you by way of background, Mr. Minister, that if confidential information is to be made available to members of the press and your back-benchers, then every citizen in Saskatchewan has reason to fear this administration because of the wealth of confidential information you have. My question to the minister is: will you take steps to determine how the press and your Conservative back-benchers obtained that confidential information so that it will not happen again?

Hon. Mr. Hardy: — Well, Mr. Speaker, I don't know how the press got it. They have ways of getting a lot of documents that we really wouldn't like them to have, but they seem to manage to find them, and they've found them in years before as well. Certainly we'll look into seeing what we can do at finding out about it. We know there was a concern on your part, but like I said, many documents have been leaked before and they probably will . . . It continues to happen.

Mr. Shillington: — New question, Mr. Speaker. My question to the Attorney-General, in light of that comment: are you suggesting that freedom of information should extend so far as to allow Conservative back-benchers to use confidential information for the shoddiest of political purposes?

Hon. Mr. Lane: — I am very pleased, I am very pleased, Mr. Speaker, and I know that the opposition is not going to like this. I understand, and have been informed, that in fact that information was public prior to April 26, 1982, and has been an issue in the city of Prince Albert. I know you're no longer in touch with the city of Prince Albert since prior to April of 1982, prior to the Tory government having its great electoral success. And so I suggest to you that any allegations you're making about the government having leaked the information indicates that perhaps it was the NDP government that in fact . . . (inaudible) . . . so-called confidential information that has been an issue for some time.

In terms of freedom of information, I'm very happy that the hon. member asked me the question, because we are awaiting the report of the former chief justice, Mr. Justice Culliton. We are expecting it at any time. I believe that I have not yet seen it, but as I say, I'm expecting it at any time - perhaps early next month. We have committed and continue the position that when the Culliton report comes out it will be made public. The public will have full opportunity to discuss that report. And I want to make it clear that it was this government, the Conservative government, that requested the Culliton inquiry to hold public hearings. And it was the NDP government that refused to have public hearings on freedom of information.

Some Hon. Members: Hear, hear!

Hon. Mr. Blakeney: — Mr. Speaker, I direct my question to the minister in charge of the Saskatchewan Housing Corporation. I have a good number of constituents who are tenants of the Saskatchewan Housing Corporation, and who give information to housing authorities or to the corporation in the course of getting their accommodation. I want to ask the minister whether he shares the view just expressed by the Attorney-General that this information is simply so-called confidential, and is apparently available for general dissemination - general dissemination - to members of the press and to members of the Conservative caucus.

Hon. Mr. Hardy: — Mr. Speaker, I don't know what the Hon. Leader of the Opposition is saying, but what I do know is that in regards to information within the city of Regina there's an organization called the Regina Housing Authority who have all that information all the time, and there's 30 or 40 people who work there. I don't know how it would be made public beyond that. But that's who handles all of those. So we do not, as a housing corporation, even handle any of those applications. So therefore I don't know how it would be made public unless it come from out of there. And I'm sure those are competent, capable people that were there before, and they're still there, and I would hope that they would look after that in their own due way.

Some Hon. Members: Hear, hear!

Hon. Mr. Blakeney: — Supplementary. Is the minister saying that the Saskatchewan Housing Corporation does not have the right to require a local housing authority to provide them with information for their files?

Hon. Mr. Hardy: — Well, Mr. Speaker, certainly we may have the right but we certainly won't use it. I don't think we would use it in any case at all. That I know of, we have never used it, and as far as I'm minister we will not be using it. It is the right of the housing authority in Regina to decide all those. They look at all the applications. I have never seen one and I don't intend to see one.

Some Hon. Members: Hear, hear!

Hon. Mr. Blakeney: — Mr. Speaker, a supplementary. Can the minister explain how information which was in the files of the Saskatchewan Housing Corporation became public information in the hands of his back-benchers and the press?

Hon. Mr. Hardy: — Mr. Speaker, in answer to the hon. member's question, that information I know was in the hands of a couple of our members before the April 26th election in 1982. I don't know where it leaked and probably there's always the possibility of a leak. I don't say it can't happen. It's happened with your administration and I think we've had a couple of leaks in our administration. I don't say it won't happen, but it isn't happening because we want it to. We do the best we can to keep it from happening.

Mr. Shillington: — Supplementary, Mr. Speaker. I ask the minister: who had this information and when?

Hon. Mr. Hardy: — At the present time I guess you can use your own assumption of which members had it, but it was knowledge before, in the city of Prince Albert, that we had it; we did have it. It was an issue in the election, if I remember right, to some degree. I'm sure that you know who they are.

Mr. Shillington: — I have a question to the minister. To put it mildly, when your back-benchers have access to confidential information, it suggests some complicity on the part of your administration. I ask the minister: will you . . . You are asking the Attorney-General for legal advice on the issue itself. Will you also ask the Attorney-General's department to arrange for an investigation so that we may be sure that this will never happen again?

Hon. Mr. Hardy: — Well, Mr. Speaker, I understand that it happened before we

became government. I don't want to have an investigation prior to that. I could go back into northern housing. Would I investigate everything that went on in northern housing? I could tell you overruns; I could tell you many things, but we haven't investigated it. You're singling out one single incident. I don't think it's necessary. I think it would be a waste of the people's money. We say we're going to clean it up; we're going to go ahead in a proper fashion. If there's some problems, we'll clean them up too.

Some Hon. Members: Hear, hear!

Mr. Shillington: — Mr. Minister, I ask you to confirm: do you agree that what happened was most improper, that your back-bencher should have confidential information before it was even made available to the member of Cumberland, never mind anyone else? I'd ask you to confirm that you agree that's improper and shouldn't happen again.

Hon. Mr. Hardy: — Well, Mr. Speaker, one more time. They were the government then when this information come out. The balance of the information, I understand, was filed in public accounts the other day on the request of the hon. member. I'm not sure that . . . I wasn't in there, but I understand that he requested the information. So, if it is true, when it come to my attention, I referred it up to the Attorney-General's office. I'm sure that it'll be looked into.

Mr. Shillington: — Mr. Minister, I know that it is innocent on your part, but the answer you gave is not wholly accurate. Some of the information that the member from P.A. and P.A.-Duck Lake had didn't arise until after April. Some of those documents were signed after April 26th. So some of them were obtained from your administration, and it is incumbent on you as a minister of the Crown to find out how. My question to you is: will you determine how that happened and ensure it doesn't happen again?

Hon. Mr. Hardy: — Like I said, Mr. Speaker, there's always problems. But in regards to that, some of those information I understand was in file in public accounts just a couple days ago. I wasn't sitting in public accounts, and I understand it was the hon. member's under his direction that it was asked to be filed. I really don't know. If some of that information come out before, or come out because after we've taken over, we'll look into it and see where it come from. I was unaware of it until it come out in public accounts.

Mr. Engel: — Mr. Speaker, I have a question for the minister in charge of Sask Housing. The information that your members were quoting from in public accounts, and were indicating dates, indicated that they had private information and letters that were written since April of the last election. How did they get that information if that was released? How could a letter be released that was written since April of '82?

Hon. Mr. Hardy: — Well, Mr. Speaker, my information as far as I know is that they asked for those confidential files, and they were made public because they asked for them in public accounts. If there was some that you're referring to, there may have been some leaks. Like I said, there were many leaks before. The same people are still working there; it's a possibility. I don't know. I said I would look into it to see where it may have come from. I have no idea, but if you asked for it in public accounts and it was filed there, then I guess that's where it became public.

Mr. Engel: — A supplementary, Mr. Speaker. Mr. Minister, in public accounts the members were reading from a file and had information and suggested dates that happened since April. They didn't file that information. Neither myself, nor the chairman, nor the member of Cumberland have access to that file. That file hasn't been made public, and dates were revealed that had been . . . letters written and letters issued since April of '82. How did they get that information if you didn't release it to them?

Hon. Mr. Hardy: — Mr. Speaker, you can rest assured that I did not release it to them. Secondly, to the hon. member's question, you can rest assured that I did not release it to him in any way. I was first aware of it when it come up in . . . But, let me tell you, Mr. Speaker, those same people worked there as were working before. Some of it was released out of that in an envelope or however it come before the April 26th election. It is possible, sincerely possible that it could have come out the same way again. I do not know.

I said I would look into it to see if I could find out where it come from, and at that time, you know, I will be prepared to say something on it. But without knowing, without being able to look into it, I'm unaware. And I'll probably never find out because members opposite never probably even knew that we had the information. I'm not too sure how you follow that up.

Mr. Shillington: — Will the minister undertake to report the results of your investigation to this House?

Hon. Mr. Hardy: — Mr. Speaker, no, I won't report to the House but if the member would like to come to me afterwards, I will talk to him about it, discuss what we know about it. It's confidential information. I wouldn't like to make it public information. I've told you, there's 1,100 other instances up in northern Saskatchewan, I am sure, and I am positively sure, that not one of them want that information out, either. It's just one of those things that happened. We will make sure, do the best we can, to see it doesn't happen with the rest.

But I would tell the hon. member this . . . (inaudible interjections) . . .

Mr. Speaker: — Order, please. It's impossible to hear what the minister is trying to say. You asked questions. Now give him an opportunity to reply.

Mr. Shillington: — One final supplementary to the minister. Why will you not table in this House or report to this House the results of your investigation into this matter?

Hon. Mr. Hardy: — Mr. Speaker, when we look into it, there may be other people that we would have to be - all working together, or not working together - other people that maybe have the same situation and it would relate one to the other, or whatever, and they may be . . . Some of those 1,100 people would be involved. I wouldn't want their information put in here either.

I said that I would look into it, that I had not brought it up in the House. I've been aware of the situation for a while, but I did not intend to bring it up. It was brought up in public accounts. I understand the balance was brought up because the hon. member opposite asked for some more information on it. I wasn't pursuing it. I had planned to leave it and be worked out in its normal channels. I would hope it continues to be worked out in its normal channels.

Tuberculosis Outbreak in Loon Lake

Mr. Thompson: — Thank you, Mr. Speaker. I direct my question to the Minister of Health and it's regarding a report of a TB outbreak in Loon Lake. I wonder, Mr. Minister, at this time if you could indicate what steps are being taken and what the status of this report is to date.

Hon. Mr. Taylor: — Thank you very much to the hon. member. I'm aware that there is six cases of tuberculosis in Loon Lake which is actually on an Indian reserve and the responsibility of the federal government, as you understand.

Of those cases, and this has been since January the 1st, Mr. Speaker, two of them are young children, two of them are two sisters in their twenties, and two of them are people in their forties and fifties. Four of these individuals are being treated in the Loon Lake hospital. The sisters are at the Fort Qu'Appelle Indian Hospital. And starting - I believe it is today, Mr. Member - the 500 children in the area are being skin-tested for tuberculosis and those tests will be read early next week and then treated accordingly. I understand that the federal officials are responsible for this. My department's aware of it and we're co-operating with them and this will be looked into, and I think it is being looked into now. Thank you.

Uranium City

Mr. Thompson: — Thank you, Mr. Minister. New question, Mr. Speaker, and I direct my question now to the Minister of Northern Saskatchewan, and it's regarding a study that you commissioned regarding making Uranium City a service centre for that far northern part of Saskatchewan. Could you indicate to this House whether that report has been received, and if it has been received, what your decision is on that study?

Hon. Mr. McLeod: — Yes, Mr. Speaker, the study was commissioned. The preliminary report came down. As the hon. member will remember, we did announce some time ago that Uranium City would remain as a service centre, for the immediate future anyway, because of the infrastructure that's there in terms of the hospital and the capital construction that is in place in that community. And the second phase of the report we're expecting some time during the month of May - we're hoping to get before the end of May. And there are many decisions there in terms of the form that Uranium City will take, in terms of the consolidated size of it, the transportation problems, which are many as the hon. member will know, Mr. Speaker, regarding the barge, regarding the ground transportation, regarding the airport - all various aspects of the continuation of that community. So we're hoping to have that report by the end of May.

Mr. Thompson: — Supplementary, Mr. Speaker. Could you indicate to the House, Mr. Minister, whether or not the quarterly payments to the municipality of Uranium City have been paid for the education in the community and the municipal branch in Uranium City? The moneys that I am speaking about would be the moneys that would go in on January 1 and March 31st.

Hon. Mr. McLeod: — Well, I'm not sure of the exact details about the dissemination of those cheques and so on, Mr. Speaker, but I would say that the officials in the Department of Northern Saskatchewan are in contact on a very regular basis with the administration in Uranium City. And as the House will surely understand, and we

certainly in the department understand, that there's a particular and a very unique problem in Uranium City because of the fast decline in the population and the size of the community and the services that are required and so on. But we have given them the assurance that we won't see the council there, that remains, in the lurch, and so on, and I think they know that.

Mr. Thompson: — Supplementary, Mr. Speaker. I was informed yesterday by the mayor of Uranium City that they are running into serious financial problems, and that there is a possibility that they will be laying all the teachers off because they do not have the funds that they were promised by the department, and I wonder if you could comment on that. Are you aware that they are running into these problems of the day-to-day operations of the municipality, plus the education, because of the fact that is a country system in Uranium City?

Hon. Mr. McLeod: — Well, Mr. Speaker, yes, we're very aware. And as I indicated in the earlier reply, we're very aware of the unique situation in Uranium City, as every member is, and I'm sure every citizen in Saskatchewan is aware, and nobody more aware certainly than the council of Uranium City. We have given the assurance to the council of Uranium City. We've given them our assurance that we won't see them in a lurch in a financial way, and in fact there are debentures - you know, a writing off of debentures and all those kinds of things that are in the process now.

As I indicated, in the early stages of this problem with Uranium City, and with the closure of the mine and so on, there's a major expense involved here for the Government of Saskatchewan, and this is one of them - the debenture debt and all of those sorts of things. Certainly that council's in a difficult situation. We have given them the assurance that we won't see them left in the lurch. I know it's frustrating on the day-to-day operation, but I think they have that assurance, and I'll give it once more here today.

Mr. Thompson: — Final supplementary, Mr. Speaker. When that report is in, in May as you indicated, will you be tabling that in the legislature?

Hon. Mr. McLeod: — Once the report is in, there are certainly many decisions that will naturally flow from the report, decisions to be made on the basis of the information we get from that, and it's my understanding that the report will be public at some stage following that.

Lay-offs at Prince Albert Pulp Company

Mr. Thompson: — New question, Mr. Speaker. And I direct my question now to the minister in charge of CIC. Three weeks ago, in this House, I asked a question and you took notice regarding the planned lay-offs of the 90 workers of wood industries, Woodland Enterprises in Prince Albert. At that time I asked you if you would reconsider the 90 lay-offs due to the fact that we have a severe unemployment situation in the province. At that time you indicated that you weren't aware of the problem and you took it as notice. Would you be prepared to answer that question today, Mr. Minister?

Hon. Mr. Rousseau: — Mr. Speaker, I don't have, at the present time, an update on the situation at the Prince Albert pulp mill. I would indicate to the member that the pulp mill . . . The paper industry or the pulp industry has not recovered or rebounded in anyway, shape, or form in North America, or anywhere around the world for that matter. Orders

are still down. They are still . . . As I understand it, the PA pulp mill is still producing on the industry average and the industry levels, and there are going to be shut-downs, as we've indicated this year. There'll be shut-downs throughout the years. As a matter of fact, I believe it may be a situation right now.

The new management is in place, and the new management are being very aggressive with their search for new markets. I'm advised that it looks very encouraging, and that things hopefully will turn around very shortly with the pulp industry.

Mr. Thompson: — A final supplementary. I really didn't get the answer there, Mr. Minister. The question that I asked you was: will you reconsider at this time the planned lay-offs of the 90 workers at Woodland Enterprises?

Hon. Mr. Rousseau: — Well, Mr. Speaker, as the minister responsible for the pulp mill and Woodlands and so on, I do not interfere with the operation of that industry. And if they see fit to have a reduction in staff because of lack of orders, or at anytime - they may require an increase - it isn't up to me as the minister to tell them that they cannot hire or reduce their staff in any way, shape, or form. That's the management's decision, and I leave that to the management to decide.

Conflict of Interest in High Technology

Hon. Mr. Blakeney: — Mr. Speaker, I direct my question to the Premier. And this, Mr. Premier, has to do with the reported fact that one of your key personal advisers on high technology policy, Mr. John Shaw, is himself a partner in a high-tech company in Saskatoon, and refers to the fact that some weeks ago you issued a memorandum to government staff indicating that all government employees should make sure that their financial interests do not conflict with ongoing government enterprises, and to the fact that it was reported in the press a couple of weeks ago that you were not aware of that conflict at that time. My question to you is: now that you have been aware of this conflict for a couple of weeks, what have you done about it? Has Mr. Shaw been removed as an adviser, or has he been instructed to sell his interest in the high-tech firm?

Hon. Mr. Devine: — Mr. Speaker, the particular company is not operating. It was started and initiated by Mr. Shaw and some other people. It is doing . . . As far as I know, it's not doing any business at all with anybody. It's an infant sort of organization. I talked to Mr. Shaw about it. He is in the process of examining his alternatives. There certainly is no conflict of interest, because there's no conflicts going on, there's no business at all going on with anybody. He has the option of looking at putting his shares . . .

An Hon. Member: — What is he looking at if he has no problem?

Hon. Mr. Devine: — I don't even know why you raise it, because it isn't a problem.

Mr. Speaker: — Order, please. A question was asked of the Premier, and you're not giving him an opportunity to give his answer. I would ask you to give him that opportunity. Mr. Premier.

Hon. Mr. Devine: — Well, Mr. Speaker, the simple answer is: there's no conflict at all, and if there's any potential for conflict, then Mr. Shaw's going to look after it.

MINISTERIAL STATEMENTS

Expansion of Summer Student Employment Program

Hon. Mr. Currie: — Mr. Speaker, I am pleased to inform the House today about an expansion to the summer student employment program.

Some Hon. Members: Hear, hear!

Hon. Mr. Currie: — Opportunities '83, which was announced less than one month ago, has been extremely successful in creating summer jobs for students. Mr. Speaker, by the application cut-off date, April 22, 1983, more applications had been received than could be accommodated. In order to meet employer demand, and to create approximately 1,000 additional summer jobs, I am pleased to announce today, Mr. Speaker, that our government has allocated an additional \$1 million to Opportunities '83.

Some Hon. Members: Hear, hear!

Hon. Mr. Currie: — Mr. Speaker, this additional allocation means that a total of \$3.7 million will now be spent to create over 3,500 jobs. I would estimate that there's a good chance that it would be closer to 4,000 new student summer jobs.

Some Hon. Members: Hear, hear!

Mr. Koskie: — Well, thank you Mr. Speaker. I just want to say that certainly I welcome any additional funding for the creating of summer employment for students. We have been consistently indicating the seriousness and our concern in respect to student employment. I am amazed that a government only less than a month ago brought in a budget and were not apparently able to analyse the degree of the problem. I certain, Mr. Minister, welcome any additional help.

But I want to ask the minister, I am very concerned and so were the business community in respect to this program, because you brought your budget in and the time for making applications was April 22 - about three weeks you allowed people to enter into the program . . . (inaudible interjection) . . . That's fine, that demonstrates how bad the problem is - my point. And what I'm indicating, Mr. Minister, the problem that is existing in Saskatchewan today, although it will be assisted here, is not indeed going to eliminate it. It just indicates the magnitude of the problem.

INTRODUCTION OF BILLS

Bill No. 34 - A Bill to amend The Workers' Compensation Act, 1979

Hon. Mr. Berntson: — On behalf of the hon. member, I move first reading of a bill to amend The Workers' Compensation Act, 1979.

Motion agreed to and the bill ordered to be read a second time at the next sitting.

Bill No. 35 - An Act to amend The Rural Municipal Secretary Treasurers Act

Hon. Mr. Pickering: — Mr. Speaker, it gives me a great deal of pleasure to introduce first reading of an Act to amend The Rural Municipal Secretary Treasurers Act.

Motion agreed to and the bill ordered to be read a second time at the next sitting.

INTRODUCTION OF GUESTS

Hon. Mr. Berntson: — Before orders of the day, Mr. Speaker, I would ask leave of the Assembly to introduce a guest; he's at the west gallery. A friend of mine, well known in North Dakota as Senator 'Landslide' Bruce Bakewell is visiting with us here today, and I would ask all members to show him a good Saskatchewan welcome to our friend from North Dakota. And I will be inviting Mr. Senator Bakewell to our luxurious cafeteria a little later this morning for coffee. Thank you very much, Mr. Speaker.

Hon. Members: Hear, hear!

Mr. Lingenfelter: — Mr. Speaker, I would like to join with the Government House Leader in welcoming Mr. Lance Bakewell to Saskatchewan and the Assembly. I'm sure he will enjoy his stay here and maybe he could influence the minister in doing the necessary improvements in the cafeteria that he referred to.

Hon. Members: Hear, hear!

TABLING OF REPORTS

Report of Canadian Parliamentary Association - Saskatchewan

Mr. Speaker: — Before orders of the day, I would like to lay on the table the 14th annual report of the Commonwealth Parliamentary Association - Saskatchewan Branch.

ORDERS OF THE DAY GOVERNMENT ORDERS SECOND READINGS

Bill No. 31 - An Act to establish the Indian and Native Affairs Secretariat

Hon. Mr. Andrew: — Mr. Speaker, this is a further in a series of bills representing the announced reorganization of government. This bill involves the Indian and native affairs branch. The Department of Intergovernmental Affairs will assume a new status as an Indian and Native Affairs Secretariat. The Secretariat will have an overall mandate to develop and co-ordinate policies with respect to delivery of economic and social programs to our Indian and native population. The secretariat will become the nucleus for Indian and native affairs in our government and by virtue of being a distinct secretariat will provide a visible contact point for the public and other governments.

Mr. Speaker, I am very confident that this will be a positive development in the ongoing effort and determination to effectively meet the needs of our Indian and native citizenry.

I therefore move Bill No. 31, An Act respecting the Indian and Native Affairs Secretariat, be now read a second time.

Mr. Lingenfelter: — Mr. Speaker, I notice that my colleague who is the critic in this area I not in the House at the present time. But I know that he has some comments to make on this bill and I, therefore, will be moving adjournment, and to be picked up in the

near future.

Debate adjourned.

COMMITTEE OF THE WHOLE

Bill No. 32 - An Act respecting the Consequential Amendments resulting from the Reorganization of the Structure of the Government of Saskatchewan

Clause 1

Mr. Chairman: — Will the minister introduce his officials?

Hon. Mr. Andrew: — Yes, Lawrie McFarlane from the Department of Finance.

Mr. Lingenfelter: — Mr. Chairman, I have only a few words to say on this bill. As was mentioned, it's consequential to the reorganization of a number of departments, but before we move on with it I would like to just make the comment that reorganizing these departments of the government is beginning to be a habit with this government in order to smoke-screen what is really going on in the spending priorities of the government. We had the reorganization of the department of DNS which went on in the past budget. Now we are seeing another reorganization at the present time in order to beef up the spending in the Department of Health. We see a large amount of money moving from Social Services and Urban Affairs in order to make Saskatchewan number one in Health spending, in order to help along with the next election campaign.

What I would like to let the people of the province know is that, in fact, this is what is happening. And I'm just wondering: is this something we can expect each budget, that we will have a reorganization of one department or another in order to move more and more money into Health from other areas, rather than new money going into that department, in order that you can say at the time of the next election that we are indeed number one in Health spending, even though major programs are being cut in that department. That's the only point I want to make in this bill. But I think it needs to be said over and over again what is really going on in reorganization is not necessarily that there's any improvement. In fact, our case would be made that there is no improvement, merely a smoke-screen to attempt to shift money in the area of Health, which will help the Conservative Party, they think, at the time of the next election.

Hon. Mr. Andrew: — Well, I suspect that this argument is gone over several times. We believe that the thrust of the reorganization, first with regard to Northern Saskatchewan, has been reasonably well received, I think by even many of the members of the opposition. With regard to this reorganization, clearly what we are looking at here is new thrusts of government: Manpower and Advanced Education, clearly is a new thrust; I think Small Business and Tourism is a new thrust; Economic Development and Trade is a new thrust; and whole concept of Justice; what we have to look at with regard to Health as we're trying to rationalize, we're trying to put a thrust on to it.

I think the members opposite, what they're trying to do is find themselves a niche to try to get into. I remember they were talking about the concept that we would take away medicare. Well, in fact, medicare is not being taken away. I think that we're developing and we're improving the health-care system. Obviously, that's a process that takes time to develop. And we're going to continue, with the dedication which we have, to try to

improve, and try to improve the whole area of health care in the province of Saskatchewan. And we make no apologies for that, Mr. Chairman.

Clause 1 agreed to.

Clauses 2 to 4 inclusive agreed to.

Hon. Mr. Andrew: — Mr. Chairman, I could ask for clarification and with leave of the hon. member opposite, is there a possibility that we could, if there's no further questions, simply agree to clauses through, or do we have to read through 1 to 100? That becomes a question, perhaps, of the Chair for clarification.

Mr. Lingenfelter: — There are a couple of places, so if we could just run through them, for example, on corrections and a couple of other areas. So let's just, if we could, just run through them.

Clauses 5 to 11 inclusive agreed to.

Clause 12

Mr. Koskie: — Yes, thank you, Mr. Chairman. In respect to . . . The Corrections Act, it says, is amended in the manner set forth. The following section is added by section 20 and you've got a new section 20.1, sub 1. And here it is not in fact really an inconsequential amendment as a result of reorganization. It seems to me that this is a substantive power here.

The minister may: plan, develop, furnish, equip, administer, manage, operate, maintain, repair the provincial jail or correction . . . and personal property used in connection.

And it goes on:

Subject to subsection (2): may purchase, lease, otherwise acquire real property; sell, lease and sublease.

And then it goes on, giving the minister certain powers in respect to the disposal of certain property in subsection 2. And what I'm asking is: is this not a change in the whole amendment to The Corrections Act, being done under the disguise of being under the consequential amendments act?

Hon. Mr. Andrew: — First of all, you have to recognize that this is a consequential act. It is verbatim from The Department of Social Services Act. Okay, so it's verbatim out of there and therefore it's purely consequential.

Mr. Koskie: — Well, why are you . . . It says, 'the following section is added after section 20.' Is the 20.1(1), that whole section which I was referring you to, is that a new section or where is that presently? Because it says 'the following section is added to section 20.'

Hon. Mr. Andrew: — It's in The Department of Social Services Act. That area now goes under the Department of Justice, therefore it has to go into The Department of Justice Act.

Clause 12 agreed to.

Clauses 13 to 100 inclusive agreed to.

The committee agreed to report the bill.

THIRD READINGS

Bill No. 32 - An Act respecting the Consequential Amendments resulting from the Reorganization of the Structure of the Government of Saskatchewan

Hon. Mr. Andrew: — Mr. Speaker, I move the bill now be read a third time and passed under its title.

Motion agreed to and bill read a third time.

COMMITTEE OF FINANCE CONSOLIDATED FUND BUDGETARY EXPENDITURE ENERGY AND MINES

Ordinary Expenditure - Vote 23

Item 1

Mr. Chairman: — Would the minister introduce his officials?

Hon. Mr. Devine: — Mr. Chairman, we have most of the officials that we had before - Don Moroz, deputy minister; Bob Reid, assistant deputy minister of finance and administration; Doug Gillard, executive director, petroleum and natural gas division; Mike Shaw, assistant director, energy policy branch. We have Les Beck, executive director of geology and mines; and Doug Patriquin, ADM, energy.

Hon. Mr. Blakeney: — Mr. Chairman, I have a number of comments and a number of questions. My first question would be whether or not I can obtain from the Premier information on crude oil production by area of the type supplied by the minister of mineral resources as it then was, the minister of energy when the estimates for last year were considered.

Hon. Mr. Devine: — Yes, Mr. Chairman, I have here production for 1982 by area and by oil type, as well as the price of Saskatchewan crude at the wellhead, March '83 and August '83. I will send these across.

Hon. Mr. Blakeney: — This information represents the production in 1982. Is there any estimate for 1983 of the crude oil production by area and by crude type?

Hon. Mr. Devine: — Mr. Chairman, all we have to date is the total estimate for the calendar year 1983, which is in the neighbourhood of 53 million barrels. I haven't calculated it in terms of litres. But in terms of by area and by type, we don't really have one because of the change in the level of shut-ins from one particular area to another, and so forth. We've got a ball-park global estimate, but I don't have it in litres. I have it in

barrels.

Hon. Mr. Blakeney: — Thank you, Mr. Chairman, and Mr. Minister. Thank you. I well understand that a projection of 1983 production by area and by all types would be problematic, because there are bound to be some very pleasing developments, and some disappointments. It always is that way. But your production is about 53 million barrels, give or take.

I now want to turn to the matter of the upgrader, and the possibility of an upgrader for Saskatchewan. I want to give a little background with respect to this. I will not go back very far, but only back to last September when the minister of energy, the Hon. Mr. Thatcher, in a speech to the coal association said, and I quote:

The Government of Saskatchewan has made a firm commitment to proceed with the development and construction of a heavy oil upgrader.

And since that time there have been many public announcements or public reports with respect to the upgrader. In October the then minister, the Hon. Mr. Thatcher, is quoted as saying:

The upgrader is a priority of the government and will continue to be one until it is finally announced, but negotiations are continuing and the government is determined not to come up with a white elephant.

And then it goes on to say:

This summer Husky pulled out of the Plains upgrading consortium which was studying two potential sites in the province. Husky is now proposing a smaller upgrader to be developed solely by Husky in the Lloydminster area.

That's October. In November a report to the effect that:

The economics won't support a heavy oil upgrader in Alberta or Saskatchewan, says one Wayne Minion, chairman of the Alberta Petroleum Marketing Commission.

And reaction to that by the then minister, the Hon. Mr. Thatcher, dismissing remarks by the Alberta officials, and Mr. Thatcher is quoted as saying:

He declined to discuss whether the negotiations are now focused on Husky Oil's proposal to build a small upgrader in Lloydminster, or if they include the proposed Plains upgrader near Moose Jaw.

But, and I quote:

Thatcher said the negotiations 'are coming to a head now,' and he added that there might be something to announce by the end of December.

Well, that was November. By January we were advised that there were three oil upgrader proposals being studied.

The provincial government is considering three proposals for construction of a heavy oil upgrade, Don Moroz, deputy minister of Energy and Mines said Wednesday.

He was speaking at a seminar in Regina, and these included the Plains consortium and the Husky Oil one and presumably one which was not disclosed, but presumably the reference was to a possible, what I will call, co-op operator.

Moving on now - that's January - in February, and I'm quoting now from the *Star-Phoenix*.

The feasibility of constructing a heavy oil upgrader in Saskatchewan is being re-examined, as feuding OPEC nations threaten to cut world oil prices, says Finance Minister Bob Andrew. Falling prices might convince the provincial government to delay plans for an upgrade until participating oil companies could be assured of a healthy profit, he said in an interview.

That is February. Moving on to March, we have a quote. This is from the *Financial Post*:

Signals from both federal and provincial government officials suggest a rethinking of the concept is taking place. A frustrated executive from an oil company interested in upgrader describes government attitudes this way: 'As long as you can sell that oil why would you want to invest immense amounts of taxpayer dollars to upgrade it, when it's not clear in the public mind why you want more synthetic oil to supplant international oil that's cheaper?'

Then going on, and I'll just quote very quickly:

Falling world oil prices naturally are not making planning and upgrading easier. All involved governments recognize that a plant will not be built without significant public assistance.

Now, moving on to the end of March, at March 30th, we have an announcement that the Plains upgrader concept is being abandoned by the Plains upgrader consortium.

And moving on again, to the 31st of March, there's an account saying, 'Plug Pulled on Oil Upgrader Consortium.' And that reports that, but then quotes the Premier as saying, 'Negotiations for an upgrader in the province have never been hotter.'

We move on now - and I'm not going to give all of the clippings - but moving on to the 7th of April, 'Heavy Oil Upgrader Decision Imminent' is the quote now from the *Globe and Mail*. There is talk here of the need for favourable price, tax and royalty concessions:

Concessions could include accelerated write-offs of capital costs, world prices for oil production, assured markets, exemption from provincial prorationing rules, reduced royalties, or cuts in the federal government's petroleum and gas revenue tax.

I have not checked the paper today, but I believe if I had checked it yesterday - and I did - indeed the *Financial Post* has something, talking about the upgrader: 'Haggling Continues Over Upgrader.' I won't tax the committee with that, simply to say since the time when a decision was imminent, last October, there has been a level of uncertainty introduced into the upgrader project. Understandably so - by world oil prices, and other events. What I'm asking the minister to do is to state once again what the current

position is with respect to an upgrader, whether or not he expects to be in a position to announce an upgrader within, shall I say the next three months or . . .

Hon. Mr. Devine: — Well, Mr. Chairman, there have been some international conditions that do have an impact on negotiations. The result of the rapidly changing OPEC prices have caused people from industry and various governments - federal government, the Alberta government, and ourselves - to relook at all the numbers. We are still looking very carefully. We are cautiously optimistic. I would have enjoyed being able to announce the building of an upgrader on the 26th of April, 1983, but fortunately, I couldn't.

I did have a good visit with the federal energy minister who's aware of the negotiations, and his officials are, and we're both cautiously optimistic. We're negotiating on at least two projects in the province of Saskatchewan. I don't think it would be wise to jeopardize the negotiations at this state by saying it will be announced by next Friday, or it will be announced next week, or anything like that. I will say that both industry and government officials are very positive and they are cautiously optimistic about the numbers. And when we feel satisfied that we've got an agreement together that looks like that it will work, we'll be only too happy to announce it.

Hon. Mr. Blakeney: — Mr. Chairman and Mr. Minister, are you in a position to give an assurance, an unequivocal assurance, that any upgrader which is the subject of negotiations by the Saskatchewan government involves an upgrader located in Saskatchewan and not elsewhere?

Hon. Mr. Devine: — Yes.

Hon. Mr. Blakeney: — Mr. Chairman and Mr. Minister, the minister will be aware that the Canada-Saskatchewan oil pricing agreement, the energy agreement entered into at the time of the conclusion of the dispute between the producing provinces and the Government of Canada, involves somewhat imprecise commitment on the part of the federal government to assist in the establishment of a heavy oil upgrader in Saskatchewan.

I wonder if the minister can give to the committee, the current position of the federal government with respect to its commitments to participate in the heavy oil upgrading project in Saskatchewan.

Hon. Mr. Devine: — As I understand the agreement and in discussion with both the Prime Minister and the Minister of Energy, there is no change in their attitude towards a very real contribution on an upgrader in the province of Saskatchewan. I've certainly been left with that impression and I would suspect that it is sincere. In fact I'm quite sure that it is. That hasn't changed.

Hon. Mr. Blakeney: — Mr. Chairman and Mr. Minister, with respect to any current negotiations, are you able to say whether any one of the projects under negotiation involve the participation of Petro-Canada, as was the case with the Plains consortium?

Hon. Mr. Devine: — I think it would be fair to say that the federal government probably hasn't ruled out that possibility or that they may consider that as one possible way of contributing. We haven't discussed anything in that much detail, frankly, and I'm not so sure that it would be something that is discussed, whether the government's involved,

or a crown is involved, or what arm of the government might be involved. A general agreement is something that we're going after with the off chance, I suppose, that there is some possibility that a crown corporation might be involved as an arm of government, but we really haven't explored the detail, to a large extent, and I wouldn't be prepared to comment an awful lot on that detail at this time.

Hon. Mr. Blakeney: — Thank you, Mr. Minister. Mr. Chairman and Mr. Minister, in any of the negotiations which are now proceeding with respect to an upgrader, is it contemplated that Saskoil would be a partner or participant, as was the case with the Plains consortium and as has been the case with a number of the other proposals which have been considered from time to time?

Hon. Mr. Devine: — I believe it would be fair to say that in the negotiations that are going on now in Saskatchewan, they're quite similar to those that are going on at the national level. That is, it's between ministers and officials. It tends not to be with the heads of crown corporations or officials of the crown corporations. It doesn't mean that there might not be some involvement when the arrangement is put together.

So to the extent that these negotiations . . . Well, I can say that these negotiations are perhaps a little different than they were under the consortium in that the crowns might have been involved actively in the negotiation. In this case it tends to be the Energy officials, but without closing the door for crown participation at some point or other, to varying degrees. So there may be some modification in the way that we're putting this together, but not ruling out participation.

Hon. Mr. Blakeney: — Well, Mr. Chairman and Mr. Minister, it's pretty clear that the officials, either of the Department of Energy here or the Department of Energy in Ottawa, are not going to build the upgrader. It's not going to be a crown project built by the Department of Energy here and the Department of Energy in Ottawa. So it's obviously going to be built by some corporate entity, be it Husky or be it some consortium of Husky and Petro-Canada or Shell or Gulf or whatever. And my question then to you is: are the negotiations not at a stage when corporations who are likely to build the upgrader are involved in the negotiations?

Hon. Mr. Devine: — Perhaps it might help if I put it this way. The corporations of Saskoil and Petro-Canada are not the proponents of the consortiums, wherever they may be, and are in the building-negotiating process. Again it doesn't say that they may not be involved in several kinds of arrangements at some point in time, but they are not in the negotiations now as the builders.

Hon. Mr. Blakeney: — Thank you, Mr. Minister. I am now referring to the *Financial Post* of April 30th, and noting a somewhat wry comment by one of the persons quoted with respect to negotiations for an upgrader. This was an official of a company who was previously with the consortium and he says, 'Mostly it involves building it with somebody else's money.' And that is, as I say, I think a reasonably accurate if somewhat wry comment on what the objective of the oil companies is, and given their perspective, a very proper objective.

My question to you is: if the consortium is going to be built with the taxpayers' money, be it the provincial taxpayers' or the federal taxpayers' or both, are you now ruling out participation by, let us say, Saskoil? If we're going to build it with taxpayers' money, isn't it prudent to at least have Saskoil at least a partner, getting some of the benefits of the taxpayers' money?

Hon. Mr. Devine: — Well, Mr. Chairman, I can say to the hon. member that he can rest assured that any investment by the public of the province of Saskatchewan in conjunction with the local co-op, or company, or whatever combination of - whether it's through government, or whether it's through a crown corporation - will be one that has excellent dividends to the people of the province of Saskatchewan.

I just don't think that it's right that I speculate about the specific role of government versus crown, versus what arm, versus what degree, while these negotiations are going on. It may lead another government, or the local co-op, or a company to the wrong conclusion about what's going on. And then if we did get into it, well I'd have to explain it more and we'd just dig a hole. So I think if we could just say that the government has the crowns there at all times, and we're looking at a comprehensive package for development in a consortium. We haven't ruled them out; we haven't ruled them in. They're there; they're there at the national level. Every government knows that; every participant knows that. I think it's best that it's left just where it is while these rather intimate negotiations are going on that involves a lot of governments, several players, so not to jeopardize the other compound.

Hon. Mr. Blakeney: — Mr. Chairman and Mr. Minister, the minister will be aware that in the budget tabled last month, and in the capital estimates for the various crown agencies, no capital money is provided for Saskoil whatsoever, from which I conclude that at least when this budget was drawn up, there was no thought that Saskoil will be having any capital participation in a heavy oil upgrader during the year beginning in April 1st, 1983 and ending in March 31st, 1984. That could have two interpretations, or perhaps three; but one is that nobody is going to build an upgrader in the next 12 months or 11 months; or the other potential interpretation is that if they are, Saskoil is not going to participate. At least that was the situation built into the budget of last month.

I will confine myself to stating that it strikes me that the Government of Saskatchewan should at least hold out the possibility of Saskoil participating, and anyone else participating, if you are negotiating with Husky or anyone else. It seems to me that the more chips you have, the better. And I frankly do not know why you have indicated publicly that Saskoil is not participating by providing it with no money for the current fiscal year. I would invite a comment.

Hon. Mr. Devine: — Well, I don't know if I can add very much more to the hon. member, Mr. Chairman. I've reiterated that all options are open and we are examining all of them. If the hon. member is concerned that there isn't an awful lot of money set aside in a particular crown corporation to build it this year, I think it would be fair to say that you don't build it in one year anyway. It's going to take a fair amount of work.

If we reached an agreement . . . Even if we did reach an agreement in the next few weeks or the next few months, there'd probably be some preliminary studies, some pilot projects, some environmental studies, and so forth, which means you just don't have to come up with several hundred million dollars by the first of July, or by the end of the calendar year of 1983.

The estimates in Saskoil are based on normal Saskoil operations, and if it becomes a participant, clearly what they would do in the latter part of '83-84 and in '84-85 may be subject to change. But I just don't want to add too much more about their prospective roles because I don't want to jeopardize the discussions.

Hon. Mr. Blakeney: — Thank you, Mr. Minister. I don't want to jeopardize the discussions either so I won't pursue the point, except to express the view that at previous times, at least, it was believed that probably the best, the most likely project to emerge was one which would involve substantial participation by the private sector and perhaps some by the public corporations, because of the substantial concessions which everyone acknowledged would be necessary. I was surprised at the apparent indication of the change of direction.

I now raise a couple of miscellaneous items, if I might put it that way. I refer now to the south-east oil project that has been around in the press a couple of times, and that is a name given to the experiment between Dome Petroleum and Saskoil. It was announced in December of '81.

You are probably familiar with what I am referring to, to investigate the possibility of boosting oil production by using carbon dioxide from the Boundary Dam. It was announced some time ago, as I say, December of '81. About a year later there was an announcement that it was in limbo, and perhaps a couple of weeks ago there was a further announcement indicating that it was not in limbo but that perhaps it was under active consideration. I would be happy to have the minister advise the current state of that project.

Hon. Mr. Devine: — This project, Mr. Chairman, is a Saskoil project. Dome is part of the project. They are very interested in it. As the hon. member probably will recall, it's an attempt to strip the CO₂ gas out of the stack gases that are coming out of Boundary Dam and, if we can do that efficiently and effectively, to use the CO₂ to potentially and hopefully enhance the oil recovery in that particular area. There's no experimental project right now in using the CO₂ to enhance the recovery. We are really working at trying to get a hold of the CO₂ and get at it and to separate it out from the stack gases and, if that's successful, then carry on with the experiment to enhance the oil recovery in the particular area.

Hon. Mr. Blakeney: — Shortly put, then, the stage of the project is that it's still at that phase whereby they are attempting to separate the CO₂ from the stack gases in a commercially successful way.

Hon. Mr. Devine: — Yes.

Hon. Mr. Blakeney: — Another, Mr. Chairman and Mr. Minister . . . This is a further what I might call miscellaneous question. This has to do with the federal budget and the effect of the federal budget on enhanced recovery projects. I see some speculation in the press, and obviously the budget appears to provide that some of the capital cost of some enhanced recovery projects and tertiary recovery projects will be able to be deducted from payments required under the petroleum gas revenue tax. Can you give me an idea as to whether that is a substantial benefit, a substantial encouragement to enhanced recovery projects or a marginal one? I can read what it's saying. I'm looking for your estimate of a quantification of its benefit.

Hon. Mr. Devine: — Mr. Chairman, I believe it's fair to say that the provisions in the federal budget do provide a substantial benefit to the province of Saskatchewan, or should. In theory, they certainly should. One, just as a stand-alone fashion, but probably second because the provisions meshes very well with our own enhanced oil

recovery schemes announced last July. Third, it really didn't come as a great surprise to our administration because we had been discussing the possibility and the potential for this, I suppose complimentary, incentive for enhanced oil recovery with federal officials for some time.

Hon. Mr. Blakeney: — Mr. Chairman and Mr. Minister, I want to turn now to natural gas and ask a couple of questions with respect to that. Could the minister outline for the committee how much natural gas prices will, wellhead prices, will increase during the period between now and next March 31st.

Hon. Mr. Devine: — Mr. Chairman, when we made the decision to go from 54 cents to a dollar Mcf, part of that news release and that announcement that I made at that time was that we would track Alberta increases. We are substantially below the Alberta price now of \$2.57 per Mcf, but it is our intention to track their increases. If they have a 25 cent increase, we'll track the 25 cents. And so it depends on how fast Alberta goes up.

Hon. Mr. Blakeney: — Mr. Chairman and Mr. Minister, at that time was an announcement made indicating that there would be a specific so many cents per Mcf increase - in August, as I recall it? There was a two-step increase announced and I would ask you to refresh my memory on the two steps. The first one was in February and the second one was to be later, and I believe it was in August.

Hon. Mr. Devine: — Mr. Chairman, the hon. member will recall, and it's my best recollection, that we said that we would track the Alberta increases. Where he's picking up the date of August, I believe Alberta is scheduled to have an increase in August and we said we would track the increases, so that's where you see the stages come in. We didn't pick a time or pick a date; we just said we'd track the Alberta. But it's fairly common knowledge in the industry, and I'm sure that's probably where he's recalling these dates, that it would be following the Alberta increase.

Hon. Mr. Blakeney: — Mr. Minister, when you say you will track the Alberta increase, are you tracking it in terms of per cent or tracking it in terms of cents per thousand cubic feet?

Hon. Mr. Devine: — Cents per Mcf.

Hon. Mr. Blakeney: — Mr. Minister, how much is it anticipated that the net-back will increase to gas producers? From the decisions which were made in February - let's start with that - the wellhead price increased by, could you tell me how many cents? The royalty increased by, could you tell me how many cents? And can you tell me anything about the net-back?

Hon. Mr. Devine: — Mr. Chairman, I'll try to cover the three parts of the question with respect to our price changes, royalty changes and net-back.

The net-back, as a result of our February announcement, went from 14 cents to 26 cents. That compares with the Alberta net-back currently of 68 cents. Now, when we did go from 54 cents to \$1 our royalty increased from 2 cents to 10 cents. And for each 25 cent increase that may subsequently happen we will pick up 5 cents in royalties.

With respect to the net-back, the 20 cents that is remaining, it really will depend on the costs of the individual participants in the industry and your guess would be as good as mine.

So, in summary, the 54 to \$1 increased our royalty from 2 cents to 10 cents. We pick up another 5 cents for every additional two bits that there isn't an increase.

Hon. Mr. Blakeney: — Would the minister advise whether there is a scheduled increase of 25 cents per thousand cubic feet on August 1st, whether it's scheduled or whether it's anticipated that Alberta will go up that, and if Alberta does Saskatchewan will track. Which is accurate?

Hon. Mr. Devine: — In our planning, we anticipate the 25-cent increase, and the 5-cent royalty is anticipated in our estimates of revenues.

Hon. Mr. Blakeney: — Mr. Minister, is it anticipated that this increase in net-back will encourage extra drilling?

Hon. Mr. Devine: — Yes.

Hon. Mr. Blakeney: — Is it anticipated that if additional wells are drilled more gas will be sold, or whether the wells will be capped?

Hon. Mr. Devine: — Well, Mr. Chairman, I think it's fair to begin the answer to this question by saying that the announcement in February did encourage gas exploration in the province of Saskatchewan. That's long-term exploration that would probably require long-term development. It did encourage land sales for that long-term exploration. We would hope that a minimum amount of gas is capped.

We have, I think it would be fair to say, a three-pronged strategy for market development. Increase some market room right here by Sask Power. It would be the first. Two, there's the medium term, which is to back out as much Alberta gas as possible and replace it with our own. And in the longer run, the general market development that I have talked about before, whether it is domestic and/or export, depending on what you do with the natural gas. There are several combinations of things that our officials are looking at in various industries that will develop markets, and some pretty, I think, substantial markets - either internationally or domestically.

Hon. Mr. Blakeney: — Referring to potential gas export, can the minister advise whether there are any proposals before the National Energy Board, or about to go to the National Energy Board involving the export of Saskatchewan gas?

Hon. Mr. Devine: — There is no application currently before the National Energy Board. It probably is fair to say that the Ocelot application that was before the board may end before the board again . . . I'll put it this way, we couldn't rule out that Ocelot may be making a renewed application in the months ahead as a result of negotiations that it's undertaking and we're involved with, and so forth.

But that application that was turned down by the National Energy Board is still actively being considered by us. And as fair as I know Ocelot is giving it continued or renewed consideration, and they may well in the future go before the National Energy Board.

Hon. Mr. Blakeney: — Is the minister in a position to advise whether or not any other company besides Ocelot has a proposal for the export of Saskatchewan natural gas on a major scale?

Hon. Mr. Devine: — Nobody else has approached us for export applications.

Hon. Mr. Blakeney: — Mr. Chairman and Mr. Minister, the previous minister of energy, last June, about 10 months ago, was talking about oil production and oil drilling, and in *Hansard* on June 30th in answer to a question, the question of which was:

Is the minister in a position to estimate when his new initiatives will get the oil industry back to the record levels of drilling and production that existed in 1980?

His answer was: 'Probably in early 1983.' That was obviously an optimistic estimate. Would the current minister care to give an estimate of when he thinks that oil production in Saskatchewan will reach the levels of 1983 - 1980 I should say - and when the level of drilling in Saskatchewan might reach the level of 1980?

Hon. Mr. Devine: — Well, in response to the hon. member's question, Mr. Chairman, I think it might be fair so that everybody clearly understands the circumstances in 1980 compared to the circumstances in 1983. I won't dwell on it; I just throw it out. In 1980 it was just prior to the national energy program and it was during a very, very rapidly escalating world price - hardly the conditions today. But notwithstanding that, the 1980 production, if my figures are right, were 58 million barrels. We are forecasting 53. If prices go sideways or down, it could go down. If they happen to start to rise, it could go up.

I might point out to the hon. member that we have absolutely no shut-in oil at all now in the province of Saskatchewan. Every single last drop that can be pumped is being pumped. I could point out that this is the highest quarter - 1983 was the highest quarter in drilling in six years in the province of Saskatchewan. Again, to the hon. member, I just throw that out to saying this is post national energy program. This is during a depression in world oil prices, and we are at a six-year high in drilling with quite reasonable forecasts for production. If oil prices would ever happen to turn, given the current level of interest, I'm not sure when we would reach the level of 1980, but with a little bit of luck internationally we could well get lucky.

Hon. Mr. Blakeney: — Mr. Chairman and Mr. Minister, with respect to your assertion that there are no shut-in wells in Saskatchewan, I take it you're referring to oils. There are obviously shut-in gas wells. When did this happy condition occur? Last month were there shut-in wells in Saskatchewan?

Hon. Mr. Devine: — Mr. Chairman, I'm sure as the world turns, the hon. member knows, that the production and activity and so forth in the western Canadian oil and gas activity tends to rotate with it. Early in April there were about 3,500 barrels per day shut in in the south-west of Swift current, maybe, Shaunavon area, which amounted to about 2.5 per cent of our total. I'm informed today, in the last week or ten days that as a result of a combination of things, national, international, provincial activities, there is now no shut-in oil at all. So that it is all being moved and marketed and so forth. So there was up to 2.5 per cent shut in early in the month. It's not shut in anymore. Every drop in the province is being pumped.

Hon. Mr. Blakeney: — I turn now, Mr. Minister, to . . . Well, perhaps I will ask again whether or not you care to hazard a prediction as to when drilling or production may

reach the 1980 levels. Your predecessor hazarded a prediction, and I wondered whether you would do the same.

Hon. Mr. Devine: — Well, all I can say, Mr. Chairman, to the hon. member is that we have got off to an excellent start in 1983 despite the decline in world prices. The first quarter is doing very well. It's in fact much better than 1980. Whether that continues on for the second quarter, the third quarter, and the fourth quarter at an increasing rate, or at a steady record-breaking rate is difficult to forecast. The international picture has a pretty significant impact, as well as the things that we do locally. And we're proud of the fact that we have had some positive effect on drilling activity with our change in tax and royalty structure. But, as the hon. member knows, the impact of international conditions, markets and pricing, will have some impact. So for me to estimate that it would happen in 1983 is just impossible. It may be in '83, it may be in '84, it may not. We'll just have to see.

Hon. Mr. Blakeney: — Well, Mr. Chairman, it's interesting to note the caution which has overtaken the government one year after taking office. There was no such caution of the previous minister, and perhaps the new caution is merited considering the fact that the previous prediction provided to be substantially inaccurate.

With respect to your estimate that in 1983 there might be 1,000 wells drilled, how would you break that down as between natural gas and oil, and how would you break it down as between development wells for oil - development wells and exploration wells?

Hon. Mr. Devine: — Well, Mr. Chairman, the breakdown of the 1,000 as our estimate, if you use that number of wells, would be approximately 900 in oil and about 100 in gas. With respect to the breaking it down further into development/exploration, it's not quite clear to us yet how that's going to break out in terms of how the industry responds to the royalty and tax structure. Until we have a little better estimate of whether the money is going to go into, or the activity is going to go into development or into exploration, we probably wouldn't want to hazard a guess.

I suppose I could add that the 100 gas wells that we're looking at this year compares to - and the hon. member probably has those figures - nine last year.

Hon. Mr. Blakeney: — So we're looking at perhaps 900 oil wells, compared with about just under 800, or perhaps 800, last year.

Hon. Mr. Devine: — Mr. Chairman, the hon. member is about right. There were 809 last year. We estimate about 1,000 this year. Just to make sure that we have a clear picture of 1982, there were about 280 wells prior to July, drilled, and 525 after July of 1982. That reasonable increase we expect to carry on into 1983 and certainly the first quarter is setting all records. But what will happen, we'll just have to wait and see.

Hon. Mr. Blakeney: — So you confirm that of the 800 or so wells drilled in 1982, substantially all of them were oil wells - less than 10 were gas wells - and we are now predicting 900 oil wells in 1983. And fair enough; that represents an increase of 100 wells. It is a modest increase, compared with what has happened in many other years, but these perhaps are difficult times.

I want to touch upon what some of these improvements, modest though they may be, are costing us. And I want to refer to *Oilweek* of February 7th, with its tables, and I want

to refer to pages 40 and 42. On page 40 it gives the value of production and on page 42 it gives the yield which the province has got from that production. I will just take 1980, the value of production of crude oil and natural gas and gas liquids in Saskatchewan was \$890 million, and in 1982 it was \$963 million - an increase of \$77 million.

I'll repeat those figures again: 890 and 967, an increase of \$77 million, and I note the yield to the provincial government was, in 1980, \$386 million in royalties, and in 1982, \$389 million in royalties. We're dealing with an increase of \$77 million in production and an increase of \$3 million in royalties.

I think that tells us the story of, superficially, I suppose, a royalty of 4 per cent on the increment. Now, that obviously is a wrong calculation. But what we are seeing is a very much lower level of return to the people of Saskatchewan from the oil pumped in 1980 to the oil pumped in 1981. And I picked those two years because the production and the royalty is relatively comparable; 1981 was a low year because both prices were lower and production was lower; 1982 has seen a significant increase in the domestic price of oil, and it has seen production return in dollar terms to a figure larger than in 1980 by \$77 million, and we see a \$3 million increase in royalties.

And I'm sure when the 1983 figures are available, we will see a significant increase in the value of production, because of the increases in prices on July 1st, 1982 and January 1st, 1983, and some modest increase in the number of barrels of cubic metres, and we are not going to see any large increase in royalties. We are not going to see an increase in royalties anything like commensurate with the increase in the value of the oil and natural gas and gas liquids produced.

If I just confined it to oil, it would be even more impressive, because there will be an increase in gas royalties, paid for by all the people who burn gas with SPC. The increase in gas royalties is not to be welcomed, because this simply means that the people who burn the gas in their stoves and furnaces in Saskatchewan are going to pay higher royalties. We already see that at the Saskatchewan Power Corporation. And we are seeing an increase in the gas rates because of an increase in royalties. That simply is taking another way of the provincial government getting money from Saskatchewan people.

This is not the story at all with respect to oil royalties. Virtually no Saskatchewan oil is sold in Saskatchewan. The per cent is very low, and therefore if we can get more out of Saskatchewan oil, we know that somebody else is paying it. And with natural gas, the precise reverse is true. Virtually no natural gas goes out of the province - a little bit from the south-east corner, but we can ignore that. So any increase in gas royalties is paid for almost 100 per cent by Saskatchewan people, and any increase in oil royalties is paid for almost 100 per cent by non-Saskatchewan people.

We have seen therefore and this government has decided that it's going to increase gas royalties, and lower oil royalties, thus increase the burden on Saskatchewan people, and lower the burden on people outside Saskatchewan. You can say, oh but that doesn't affect the price. Well, at any rate this product which is sold outside Saskatchewan is going to yield a lesser return per barrel, or per cubic metre, than was previously the case. And every cubic metre of . . . or 1,000 cubic feet of natural gas is going to yield a greater royalty. And the greater royalty is paid by Saskatchewan people, and the benefit of the lesser on royalty oil is enjoyed by either producers, most of whom are not Saskatchewan producers, or consumers, virtually none of whom are Saskatchewan consumers.

And the figures are there and clear. We are producing very substantially more in value of oil, and getting only marginally more in royalties, and no amount of chatter about the fact that the royalties haven't been cut can be substantiated by the clear figures which are here, and which could be deduced from many other figures. I just pick the ones from *Oilweek* because they're so clear, so succinct, and so undeniable.

Hon. Mr. Devine: — Mr. Chairman, in response to the question with respect to both gas and oil, let me begin . . . Well, I guess it doesn't matter where I begin, but I will begin with the natural gas that we have been buying from Alberta and why we want to encourage natural gas production in the province of Saskatchewan. Currently, Saskatchewan people pay the royalties on natural gas to the Alberta people or the Alberta government or the Alberta Heritage Fund. And we have been locked into that; I guess we've inherited that situation.

I believe it's fair to point out that the royalties that we are paying Albertans are nine times the royalties that exist in the province of Saskatchewan. So we believe if we're going to be paying royalties to anybody, it should be to ourselves, as opposed to a neighbouring government. As I mentioned, we inherited this situation. We would prefer, I think most Saskatchewan people would prefer that we do, if we are going to pay a royalty it's for our own economic development, as opposed to a province like Alberta that has substantial economic development and certainly a much bigger heritage fund than we do.

Second, with respect to our own economic development, we believe that it's fair that we should move toward self-sufficiency in natural gas so that we are not dependent on the activities of our neighbours. They may be fair enough neighbours, but we would rather have that capacity to build and have that independence here. Therefore, in the natural gas case, and particularly when we look at the long-run developments, I suppose - and I would be remiss if I didn't add our own developments in agriculture, our own developments in the potential (I'll put it that way) to the use of natural gas as it's linked to agriculture, particularly with ammonia and some other things - that we would think that it's in our best interests if we are going to encourage development that it be here in the province of Saskatchewan, as opposed to being dependent on others, particularly when, if we have some control over the development of natural gas here clearly we'll have some control over how it's priced here and how it may be used in subsequent developments. And that long-run strategy, and I won't get into that, but that long-run strategy, I think the hon. member would agree, would be in our best interests if we could have that kind of control and have access to that kind of supply.

With respect to the oil market and the questions that the hon. member brings up, I think he will agree that without any activity at all or any move on our part we would be looking at such rising costs and such squeezing and reduced net-backs that oil would be shut in, and in fact it was. They've gone from about 40 per cent capacity up to, as we mentioned earlier, about 100 per cent capacity. Now, when oil is shut in as a result of the royalty structure in the province of Saskatchewan under the level that it was prior to July, plus the national energy program and the combination of the rising costs, means that the province doesn't make virtually anything at all unless there is some economic activity, unless something is being pumped.

Now, I'll throw out - and I don't have all the figures - but I'll throw out that when we're looking at gross in revenue and gross in the value of production, one thing that is not

included in these figures - and the hon. member is very much aware of these - is the cost, the cost to get the oil out of the ground. And I'm sure the hon. member will agree that the costs in 1982-83 for cement, for interest, for labour, for drilling wells, for anything else, have virtually doubled. So when we look at gross value less operating costs, it wouldn't surprise me that the kind of relationship that you've just pointed out would exist in virtually numerous industries, whether it's agriculture - it certainly did on my farm - whether it would incur in the retail business, whether it would incur in the oil business, whether it would incur any place, because of the high costs of operating a public utility, for that matter, because of interest costs, and labour costs, and the general costs of maintenance, and so forth.

I could add one more component to the argument that the member opposite, or the hon. member points out, is that in the province of Saskatchewan, as the hon. member knows, our average production per well is declining. That means there's lower royalties on those wells. So when we put in the combination of having the industry shut in, when we put in the combination that we've got average production down per well, and that's declining, we add to that the fact that the costs have almost doubled in the very recent period because of interest rates and so forth, it isn't surprising to me - I'm sure it wouldn't be surprising to the general public - to realize that the net, both to industry and to the government, any jurisdiction, would be reduced.

Hon. Mr. Blakeney: — Mr. Chairman and Mr. Minister, it is surprising to me because throughout the number of years of the late '70s, the percentage of royalty did not decrease. And the percentage of royalty to the gross production dollar did not decrease, nor will it decrease if there's a substantial increase in price. And that is what we have seen. When there's a substantial increase in price, we have seen the domestic price of petroleum increase steadily and significantly as a result of the arrangements between the federal government and the provincial governments, providing a margin that was quite sufficient to cover increased costs and still leave at least the same margin for royalties. And the per cent taken in royalties has in fact not decreased. It may have decreased a per cent or gone up a per cent, but the suggestion that the per cent of royalty should decline because costs are increased is not sound if prices are increasing faster, and prices have gone up very significant.

Accordingly, just look at what has happened during the late '70s. And when you have had very substantial increases between 1980 and 1982 in the domestic price of petroleum so that the - particularly for old oil - the profit potential was not less but greater, then the potential for royalty was not less but greater. And certainly the entire approach to the energy agreements was that there was going to be substantial increases in the domestic price of oil and in the international price of oil, and as a result, royalties to all governments were going to increase, not decrease.

If you follow the Premier's logic, then simply because costs were increasing there would be no potential for increased royalties. Well, certainly that's not what everybody felt short years ago, and neither was it true in Saskatchewan. Our production, measured in barrels, did not increase in during the period from say, '76 to 1982. Our yield in royalties increased very sharply, and so did the net-backs of the companies. So did the profits of the companies. And this indicates that the increase in price was quite enough to cover both their increased costs and the increased royalty take.

And it's that increased royalty take, because of higher prices, which your government is giving up, as is clear from the figures. It is clear that while the price is increasing substantially, as it goes up with each six months, that may now come to an end. We're

about to see. But certainly, at every six months interval for several years now the price has increased. And particularly for old oil this meant more potential for profit and more potential for royalty, and not less. And your government has not captured that, and as a result the people of Saskatchewan have suffered a very substantial loss in oil revenue, because of the policies of your government.

Hon. Mr. Devine: — Mr. Chairman, the arguments that the hon. member makes may have some validity in theory, but they don't explain reality very well. I guess I have to ask the question . . . answer the question . . . Or ask the question and then propose the answer. Why did the oil industry not realize that it could make more revenues, and why wasn't the province making more revenues, if the hon. member's theory is correct? Why did they quit? And why did the provincial royalties start to fall off, and why did the production start to fall off, if in theory both prices were going up and net-backs were going up subsequent to 1980?

Well, the reality is, they weren't. During the '70s, you're right. Prices went up faster than costs, and because prices were rising faster than costs people could come in to a province like Saskatchewan, and they could say: I could make more net-backs and the province could make more revenues. I mean, I've said many times during your administration - the hon. member's administration. Prices have gone practically from \$3 a barrel to \$30 a barrel. I mean, it's just a tremendous increase. It even beat inflation. OPEC kicked into gear, OPEC allowed windfall profits, and prices rose faster than costs.

Now, since 1980 - I'm sure the hon. member will recognize - there's been several developments that didn't make that case. That case didn't hold. So we see a situation since that time, the costs are rising faster than prices. And that's probably - I'm sure the hon. member will agree - one of the only reasons you can use to justify the fact the industry quit. It stopped. If you assume that these are normal profit-making, profit-taking firms, they would gladly go along with your theory - that it's so good I can't even afford to get out of Saskatchewan. I've got to just stay here. But they didn't. They stopped, because inflation had set in, and the rising costs were going up more quickly than the rise in prices.

I think the important point that the member makes is that we've got to look at the difference in the rate of growth in the revenues. That's the thing that he's pointing at. Well, if we look at the average price in 1981-82 was \$19.31 per barrel, and the net oil revenues were 308.5 million; 1982-83, price is 26.71, and the corresponding increase in revenues, 452 million, right alongside with it. I don't know if it's exactly proportional, but it's in the ballpark. In 1983-84, the estimate, fairly small increase in price, from 26.71 to 28.52; corresponding revenues, 485 million. Now these don't include the costs, and clearly the costs have been increasing.

Now, in the last six months we've been doing as much as we can to control costs - the elements that have an impact on the cost side in the province of Saskatchewan - well as they are across the country. So in general, I think it's only fair to point out that the economic conditions with respect to prices and with respect to costs in 1980, and through the '70s, were one that any province would look forward to, and anybody in industry would look forward to. Because the member's right. You can come in and you could drill the hole, you could make more money, and there was more net-back, and there's more return for the province.

Under conditions that existed at the beginning of 1982, that was not the case, and the

hon. member is aware of that - that the industry quit; it stopped. And you'd be hard-pressed to convince them that there was this big net increase in net-backs, or there would be even more for the province. So the combination of the costs and prices have an impact on what I believe is the key point that the hon. member raises: the difference in the rate of growth in revenues that may come back to the particular province.

Hon. Mr. Blakeney: — Mr. Chairman and Mr. Minister, the minister is painting a view of history which does not accord with the facts. In 1982, far from the industry having quit, they were doing nothing but hammer at our door, saying, 'Can't you get us a market to sell our oil? We're anxious to pump oil, but there's no place to sell it. The federal government is buying oil from Venezuela and the federal government are buying oil from Mexico. And we want to sell our oil and we want to pump it, but we can't sell it. Is there anything you can do?'

And your government will have heard some of the stories and it is recorded in the *Hansard*, from the previous minister, saying that he had been making representations to Ottawa with respect to the same off-shore purchases.

We well know why the industry was not rolling in the last part of '81 and the first part of 1982, and it was because of the measures taken by the federal government in the course of its dispute with the producing provinces. The companies, far from saying they didn't want to produce oil, were telling us, 'Yes indeed we want to produce it and we want to sell it. And we can't sell it because our markets are gone, and because of action, not by your government or by the Alberta government, but by the federal government.'

And there were some other arguments associated with the fact that the Alberta government had shut-in, had cut back its production - not because of any companies not wanting to produce but because it wanted to apply some pressure on the federal government. And as is well know to everybody in the oil patch, when the Alberta government shut-in some of its wells, it impacted unfavourably on wells in south-eastern Saskatchewan where the practice in the oil industry had been to mix the two.

Those are the reasons why there was not production in 1982, and it is certainly not true that companies didn't want to produce. They sure fooled us if they didn't because they were pleading with us. And it's a matter of public record in many, many public statements that they wished governments to act to expand markets for Saskatchewan oil in Canada. Now that doesn't sound like an industry which doesn't want to produce. It sounds like an industry which very much wants to produce, and that, in fact, was the case. And there's not a member here from an oil producing area who did not have representations from the oil industry asking that something be done to open up markets for shut-in oil. Now in any case an unwillingness to produce - but an inability to sell.

I remind the committee again of the figures. In 1979-80, and I'll say 1979 - \$385 million in oil revenues; in 1980 - 425 million; in 1981 - 532 million; in 1982 - 710 million. Now the 710 is your figure and I acknowledge it's got some export money mixed up with it, export tax money, but there is no question that in each year there was a greater return from the same amount or a lesser amount of oil. And a whole lot of it is old oil where costs were not increasing very much.

And there is, therefore, very clear evidence that at least in that sequence of years, with respect to, in fact, a declining production from around 60 million barrels down to I suppose, a low point of 45 million barrels . . . None the less, more money came to the provincial government, and it came because the potential for extra profit and extra royalty was there because the domestic price was increasing significantly.

Now it may well be that the domestic price is not going to increase that significantly, but no one can deny that up to now, every time the domestic price has increased, it has provided more opportunity for profit and royalty take, and as I say, that opportunity has not been seized by your government. Instead, you have made significant concessions to the oil companies at the expense of the people of Saskatchewan.

Hon. Mr. Devine: — Well, I would just like to add, Mr. Chairman, to the hon. member, when he suggests that there was some magical change in the national energy program, or the feds were really going to be doing something to help us market oil . . . They were in really difficult times, I admit, in the latter part of 1981 and the first part of 1982. The hon. member said that during the hon. member's administration, and he did ask the federal government to make some changes because the province was losing. We were losing jobs, we were losing revenue, we were losing potential to be self-sufficient.

In July of last year, the federal government didn't do anything. The national energy program didn't change. There was no change in what they were going to do for us. We made up our own minds that we were going to encourage oil production here so that the revenues in the province of Saskatchewan could increase despite what the federal government decided to do. So we modified the industry so that we could put it back to work so Saskatchewan could enjoy increased revenues.

I remind the member opposite, oil revenues for the province of Saskatchewan from domestic production and the things we control here are going to be increased 57 per cent - '82-83, '83-84 - an increase of \$176 million as a result of the activity that we took, not that the federal government took.

There isn't much to be proud of in terms of revenues if the industry is shut in, and it began to be shut in in 1981, and it was experiencing that shut-in in 1982. And I'm sure the hon. member would agree, nobody makes any money at all if the oil isn't pumped - none at all.

And the federal government continued to impose this national energy program on Saskatchewan and Alberta and everybody else. I think it would be fair to say that the people in Saskatchewan - the producers in Saskatchewan, the service industries in Saskatchewan, and so forth - said the combination of the national energy program and the royalty structure as it existed in 1981-82 virtually made it non-profitable to be in the province of Saskatchewan. And even if we had encouraged the federal government to help us find markets, it wasn't profitable, and that was one of the major reasons people did stop . . . and stopped activity here.

The federal government virtually hasn't changed anything since last July, yet drilling starts are up here in the province of Saskatchewan, higher than they've ever been for six years. And we are pumping and we are marketing and our revenues are up in the province of Saskatchewan, forecast to be up 57 per cent over the two-year period, as well as the absolute revenues.

So again I go back and say your argument may be valid that there's some modification in the relationship between price and volume, but we've got to include the cost to the industry. Everybody in Saskatchewan is aware of the interest costs, inflation costs, the labour costs, and all the rest of it, that are involved in keeping an industry alive.

The oil industry is no different in the province of Saskatchewan than the farming industry or the retailing industry, and those costs should be considered.

The most important thing for this province now is to make sure that we don't, number one, send our royalties to Alberta, as has been happening for years. Their royalty on natural gas is nine times what ours is, and Saskatchewan consumers have been forced to pay that royalty to give to the Alberta Heritage Fund. We don't want that to continue. So we've modified the structure so we could be self-sufficient in natural gas. Similarly, in oil, we want to be self-sufficient. One of the reasons we argue for an upgrader is so we can have the alternative to produce synthetic crude to market or use synthetic crude to produce our own diesel fuel and our gasoline and so forth.

In other words, Saskatchewan wants to be independent with respect to energy, which is gas and oil. As well, it's going to make more revenues from that independence and that move towards independence. So the combination of the policies to encourage us to be self-sufficient are working in the province of Saskatchewan. The revenues are up as a result; the jobs are increased as a result as well. And the infrastructure, I say, Mr. Chairman, the infrastructure for fertilizer development, for energy development, for the spin-off developments for the entire province of Saskatchewan, rural and urban, are increased dramatically over a year ago.

Hon. Mr. Blakeney: — Mr. Chairman, I'm frankly shocked. I'm shocked that we have a minister of mineral resources in this province who doesn't know what has happened with respect to the Canadian oil market since April or May of 1982; who doesn't know that the federal government did not renew contracts to purchase oil from Mexico and Venezuela; who doesn't know that a year ago not a barrel of Saskatchewan oil was sold in the Maritimes and now some quantities of Saskatchewan oil are being sold in the Maritimes; who doesn't know that a year ago there was comparatively a lesser amount of Saskatchewan and Alberta oil moving into Quebec, and now a significant amount is moving into Quebec; who doesn't know of those changes; who asserts that there's been no change in federal government policy.

Thank God they've come to their senses and they know now that there must be some market for Alberta and Saskatchewan crude, that there wasn't a year ago and that there is now. And I am glad of that and I am glad that that has happened. And it has happened for Alberta crude and it's happened for Saskatchewan crude, and I invite the hon. member to look at any of the data. He can look at the annual report of the Saskoil if he wishes - some interesting information there - and that is the opportunity which we now have to sell oil, which we and Alberta did not have a year and a year and a half ago. That is changed. It's a new opportunity which we have, which we are taking advantage of, and which allows us to sell our oil and which allows us, therefore, to take royalties on it which you are not taking, sir, but you are allowing to go to the oil companies. No doubt it's fine for them, but for the people of Saskatchewan who have to give up the services that that money would pay for, is not so fine.

Hon. Mr. Devine: — Mr. Chairman, I can only reiterate. When we brought in our policies on July 1st, there was no dramatic change by the federal government at that date, and that's what I said. When we look at the combination of things that we have put

together to encourage the industry here in the province of Saskatchewan, I am sure if you talk to people who are working in the service industries - the roughnecks, the truckers, anybody else involved from Swift Current to Kindersley to Weyburn to Estevan - they will tell you the industry, the Saskatchewan industry, the entire oil industry - service exploration, development, gas and oil - is healthier today and will pay longer-run dividends to the province of Saskatchewan than it ever had before because it now has an administration that understands that there can be inflation in the private side of life as well as in the public side of life.

The previous administration didn't understand that. It was just tax more, and tax more, until they stopped production. They stopped production. The highest royalty structure anywhere in the free world was in the province of Saskatchewan - the highest royalty structure. It was one that everybody in North America talked about - don't go into Saskatchewan, because it will just squeeze you around the neck. We can't blame that on the federal government. The combination, yes, of the national energy program, plus the 1981-82 former administration's royalty structure, was prohibitive. It scared people out of here. They didn't want to come in and invest.

I could point out that there are several expansions - private companies and combinations of Saskatchewan firms - who are now working, producing, exploring and developing for the province of Saskatchewan, and wherever possible they'll take advantages of anything that the federal government decides to do now in terms of markets. On July 1st we made a conscious decision to encourage Saskatchewan people to be active in oil and gas in this province. As a result of that our royalty revenues will increase. And I'll state it again - by \$176 million estimate over two years and up by 57 per cent. It certainly is an awful lot better for the people of Saskatchewan than having 40 per cent of the . . . well, down to 40 per cent slack capacity, because the industry has decided not to produce and not to participate. But we can't blame that entirely on the national energy program. It's the combination of the national energy program and what was in effect in the province of Saskatchewan at the time.

Let me just add one other thing. Everybody in Saskatchewan should remember, should remember, that during the decade from 1970 to 1980, and the hon. member is talking about the peak of 1980 - that's the peak - oil moved, and I'm just giving a ball-park figure from \$3 a barrel to \$30 a barrel. A ten-fold increase, ten-fold increase. Recently there hasn't been a ten-fold increase. The costs have increased perhaps by 100 per cent, but the revenues have not anywhere kept track of it - the price of oil. In fact, OPEC countries have dropped it down. The minor modifications we have had here in increases don't even come close to match the increases in costs. Inflation, interest rates, cost of cement, cost of labour - all of these things have an impact on the industry. On agriculture industry, on the construction industry, on every other industry. And everybody in Saskatchewan knows that. Final analysis that the royalty return to the province of Saskatchewan, the labour involved, the jobs involved, the general economic development in the long run, so we're self-sufficient in natural gas and oil, is exactly what the people of Saskatchewan have been telling me that they would like to see. And I'm sure that they will see it in the years ahead.

Hon. Mr. Blakeney: — Mr. Chairman, I don't know where the minister has been living, but I have not found a producer who got \$30 a barrel in Saskatchewan any time during the 1970s. I haven't found one. The producers that I talked to were getting \$17 a barrel and \$15 a barrel, and that in fact the price that has gone to Saskatchewan producers has gone up, and it has never been higher than it is today. Never. And therefore the

money that came to the producers has never been higher per barrel than it is today. And obviously the costs have gone up, but they have not gone up anything like the figures from \$3 a barrel to \$25 a barrel or whatever today's price is. And that price has not gone down.

When the Premier says that the price to Saskatchewan producers has gone down, he is misleading this committee. This isn't true. And he knows it isn't true. And he knows also that the impact of world prices does not impact on producers in Saskatchewan. It may have some effect on what they think the price in future years may be. But Saskatchewan producers live not on a world price, but on the domestic price - the Canadian domestic price which has gone up every six months. And went up in 1981 and 1982 and again on January 1 of 1983. And that is what has happened. And as surely as those prices go up, and they have gone up significantly, just as surely, the opportunity to get more royalties comes about.

Now the Premier says that there is somehow people were scared out by these high royalties. In fact, as he was willing to admit, in 1981 the national energy program had its impact. In 1980 drilling was at 1,500 wells - 1,500 wells - and if he can match that in 1983 I will be mightily surprised. And if he can even match the production in 1983 that we had in 1980 I will be mightily surprised. And the suggestion that somehow those royalties drove out the companies is a little difficult to square with the fact that more wells were drilled in that year than last year or that will be drilled this year. That is hardly driving companies out. Those companies were prosperous. They were in here. They were drilling. They were making money. They were paying royalties. And they were happy to be here. And now, Mr. Minister, they are still happy to be here. They're even more happy to be here, because not only are they making that level of profit but they're making more profit.

An Hon. Member: — And if you'd give them more, they'd be even happier.

Hon. Mr. Blakeney: — Yes, and no doubt we can make them even happier, I suppose, by giving more money. If the facts be known, they were willingly paying the royalties in 1980, willingly paying the, even if, as the Premier says, they were the highest royalties - and I don't know whether that's true. But I do know that in 1980, with all of these allegedly too high royalties, there were 1,500 wells drilled by companies anxious to come to Saskatchewan.

And that tells its story. Nothing was driving these companies out until the national energy program came along. Indeed, they were coming in in increasing numbers, and paying high royalties, and the people of Saskatchewan were benefitting. And I can only hope that the government opposite will review its policies and see whether it cannot get Saskatchewan back in the happy position we were in in 1980 with respect to the oil industry when we had a higher level of production and a higher level of drilling and a higher level of per cent of total gross that came to the province in royalties. That is the situation we would all like to see, and I commend it to the minister.

Hon. Mr. Devine: — Well, Mr. Chairman, fair enough. The hon. member can suggest his policies might be different than this administration's. I'm sure that they are; in fact I hope that they are. We have seen some major changes in the views of Saskatchewan people with respect to the policies in the oil industry, the agriculture industry, and others. I'll take his suggestions to heart, and I'll give them careful consideration.

I will table at this time . . . I believe the hon. member from the constituency of

Shaunavon asked for the 1982 annual summary of drilling statistics by area. And I have that information available, so I'll pass it over.

The committee reported progress.

ROYAL ASSENT TO BILLS

At 1:01 p.m. His Honour the Administrator entered the Chamber, took his seat upon the throne and gave Royal Assent to the following bills:

Bill No. 8 - An Act to repeal The Department of Intergovernmental Affairs Act

Bill No. 9 - An Act respecting The Department of Supply and Services

Bill No. 10 - An Act respecting The Department of Tourism and Small Business

Bill No. 11 - An Act to repeal The educational Communications Corporation Act

Bill No. 12 - An Act to amend The Municipal Revenue Sharing Act

Bill No. 14 - An Act respecting the Department of Justice

Bill No. 15 - An Act respecting the Department of Parks and Renewable Resources

Bill No. 17 - An Act respecting the Department of Advanced Education and Manpower

Bill No. 20 - An Act to amend The Department of Rural Affairs Act

Bill No. 13 - An Act to repeal The Universities Commission Act

Bill No. 18 - An Act respecting the Department of Economic Development and Trade

Bill No. 19 - An Act respecting Residential Care Facilities

Bill No. 32 - An Act respecting the Consequential Amendments resulting from the Reorganization of the Structure of the Government of Saskatchewan

His Honour retired from the Chamber at 1:03 p.m.

The Assembly adjourned at 1:04 p.m.