

LEGISLATIVE ASSEMBLY OF SASKATCHEWAN

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EVENING SESSION

COMMITTEE OF FINANCE

CONSOLIDATED FUND BUDGETARY EXPENDITURE

URBAN AFFAIRS

Ordinary Expenditure – Vote 24

Item 27

Hon. Mr. Dutchak: — Yes, Mr. Chairman. To my left is the president, Calder Hart; Leo Larsen, vice-president in charge of finance, to my right; Bob Herchce, director of research, right behind me; Larry Little, executive, Prince Albert regional office, to the back of me and to the left; and Glenn Silliphant, director of communications, at the back.

Mr. Shillington: — Thank you, Mr. Minister. If one judges your performance – and that may not be fair – but if one judges your performance by the number of housing starts in the province, then you really have presided over the sinking of a Titanic. Except I think in your case the scuttling seems to have been intentional, Mr. Minister.

You have stated, Mr. Minister, that the housing corporation is going to pull out of the market and let the private people do the job. It is painfully apparent, Mr. Minister, that nobody is doing the job – neither the government nor the private sector.

Mr. Minister, there are two ways of measuring housing starts in this province. One is to measure our performance relative to our history; another is to measure our performance relative to other provinces. By either standard, Mr. Minister, the record is abysmal.

I refer you, Mr. Minister, to . . . And I think that is having two consequences – one short-term, one long-term. The short-term consequence is that the unemployment rate is worse than it need be. Housing is an area which is labour-intensive, and for which the injection of money results in jobs at a relatively rapid pace. Unlike the construction of, say, office buildings or something of that sort, where lengthy lead time in designing and planning is necessary, money spent in this area produces results relatively soon.

Mr. Minister, that's the short run. The long run is that I think this province is developing a housing shortage. It will not manifest itself until more buoyant times return, but 1,000 to 2,000, and 3,000 housing starts in this province simply doesn't meet the need. During the '70s, I would remind the minister, we created 10,000 to 12,000 housing starts a year in good years, and in bad years it might even succeed. You're just creating a fraction of what we created during the '70s.

And I think, Mr. Minister, some administration – the way this government is behaving in office, it seems unlikely to be yours – but some administration at a future time is going to have to deal with a housing shortage.

Mr. Minister, I refer you to see who makes these housing statistics. March '84 provides some interesting numbers, Mr. Minister. In the first four months of 1983, there were 2,832 new dwelling starts. In the first four months of 1984, this dropped to 1,322 housing starts – a 69 per cent decline.

Mr. Minister, I've asked you to comment on this. I'd ask you to explain to this Assembly how the Saskatchewan Housing Corporation can be said to be discharging its responsibility in the light of a housing market which is quite clearly collapsing, and indeed has collapsed.

Hon. Mr. Dutchak: — Well, I think there was some interesting comments made by the member, and again, none of these comments seem to relate to reality in this province.

We've been working in the last year on some new directions in the Saskatchewan Housing Corporation, and it's interesting that the member would dare to mention the quality of the administration in charge. According to what took place in the past, I don't think he can talk. And as far as I'm concerned, the staff at Sask Housing is doing a job 100 per cent better than every before. They've had directions, they've been given the authority to make decisions, and to do things right for a change without political interference.

Dealing with the housing starts, I think it's well-accepted across Canada that the housing requirements are changing in Canada. It may be that single-standing dwelling are not going to be required to the extent that they were in the '70s. With that in mind, we've brought in the rental incentive program, and we're presently working on details which will be released shortly. We can see the possible need, the probable need, for apartment dwellings.

We see no shortage in housing as the member indicates, and if the member has some statistics to show that there is some need somewhere in Regina Centre, or some other area of this province, I'd be pleased to receive the same.

I would suggest that the member should follow the procedure utilized by his colleague from Athabasca, who calls me on occasion, and writes letters inquiring as to our directions as to what we're doing in his particular constituency. Because I give the answers when I'm asked, and I am just assuming that the statements just made by the member were totally political, and not based on any facts in his constituency.

Mr. Shillington: — I don't want to trifle this minister, who seems to sneer at the problem that is bedevilling this province. I don't want to trifle you with the facts, but I would, Mr. Minister, refer you to the CMHC figures for March. I would ask you to comment on them. There were 2,832 new dwelling starts in this province in March of '83, and in March of '84 that had dropped to 1,322 housing starts. That's a 69 per cent drop. That, Mr. Minister, whether you sneer at it or not, creates a serious unemployment problem, and I think in the long run it is going to create a shortage of houses, which is going to be reflected in a vastly increased price when more normal economic times return.

Hon. Mr. Dutchak: — Well, I could buy the statements of the member if he's new to this Assembly. The member knows that our government is responsible for the Build-A-Home program, which created 6,000 new units. There was an increase of 96 per cent over the 1982 level in single detached units in this province. Now we have identified the needs, and we're working towards the needs. I want to assure the member, however, that we will not build units in towns or cities that are not required, as the former administration did, and if the member would like me to elaborate, I will mention what the former administration did. However, I think the people of Saskatchewan know what was done, and they want to talk about the future. They want to talk about what we're doing now.

What we're doing now is looking at new directions, new types of accommodation, and we think we're going to provide the incentives for the private sector to get into the housing market. We did it with Build-A-Home last year; we're looking at the rental incentive program for this year. We think we're going to accommodate the need. I don't agree with the member opposite that we've got to keep turning out, cranking out, the Sask Housing units because they simply create jobs. That's not the only issue. The issue is getting the best value for the taxpayer's dollar, and that's our primary concern, and when we do this, we find that we create jobs at the same time.

Mr. Shillington: — Well, I'm delighted the minister wants to talk about the future, because that's really what I had in mind as well. The future, Mr. Minister, appears to be abysmally bleak.

Housing starts are down dramatically this year in March, and the same figures apply for April. I could read the April stats to you if you want them, Mr. Minister . . . I ask you, Mr. Minister, what you have in mind to bring housing, to bring the housing industry back to life, because I think it is collapsing. And that's what the statistics show: that the housing industry is collapsing.

Mr. Minister, you say you're considering new directions. You've got . . . You're considering new programs – you come by that honestly. The cabinet which took over after the change in government in '82 was accused of paralysis by analysis. Mr. Minister, I think that's what you are suffering from – paralysis by analysis.

I would admit, Mr. Minister, that the build program, last year, did have an effect on the housing industry. I admitted that at the time you did it, and I admitted that throughout the year. But, Mr. Minister, that program's gone, and you haven't introduced anything in its place which will stimulate the building of private homes.

Mr. Minister, I remind you that those homes were not being built under the public housing program – which you so thoroughly despise – those were being built by private individuals, who presumably were able to dispose of whatever it is was they owned ahead of time.

The truth of the matter is, Mr. Minister, if you increase the housing stock, you will bring the price down, and keep it down to reasonable levels, and there will be more people able to afford houses. What you are going to do by allowing the housing industry to collapse, Mr. Minister, is that you are going to allow a shortage to develop; the prices will become inflated; and the number of people who can afford houses will be reduced dramatically – and that will be a great shame, because that's now the case in Vancouver and Toronto. It will be a great shame if that problem is inflicted on Saskatchewan by your neglect.

Hon. Mr. Dutchak: — Well, for part of the member's comment, I thought he was lapsing into a rare moment of truth. And he was dealing with the affecting the prices of houses. I agree with you that, as you create more housing, the prices go down. And we're still trying to fix the problems that you created in small town Saskatchewan, when you rode into town and built a bunch of units that were never lived in, and aren't lived in to this day. You affected the prices of the houses. You affected the price of the house of the senior that has to now move out of her house and can't sell her house for one dollar, because there's empty Sask Housing units on the same street. That's affecting the price, and I will not do that.

Mr. Shillington: — Well. . . (inaudible interjection) . . . We're going to get to the seniors in a minute; we're going to get the seniors in a minute. The Minister of Social Services, who has been so solicitous of seniors . . . We are going to get to them in a minute.

Your housing program, Mr. Minister, has . . . Your housing program, Mr. Minister, I don't think has benefited anyone. I admit that your predecessor in office had a program which worked. It wasn't our program, but last years program got houses built, and I'd admit that. I admitted that then, and I admit it now.

But, Mr. Minister, I'd ask you to focus on the future, because you don't seem to have any concrete ideas as to what you're going to do for the future, except a few goofy ideas that you've announced at one time or another, which I'm going to get to in a moment.

Mr. Minister, if you've got any ideas, goofy or otherwise, for stimulating housing starts in this province, would you kindly share them with the Assembly?

Hon. Mr. Dutchak: — Well, I'm a little surprised that the member from Regina Centre is referring to our incentives and our initiatives in seniors' accommodation as "goofy." I intend to pass that word on to the seniors of this province. I want the member to ask a senior what that senior thinks about our programs – what they think about our home repair program, our

increased number of seniors' units, our increased number of nursing homes that we're involved in. You ask the seniors whether our ideas are goofy.

Mr. Shillington: — Mr. Minister, your desire is to talk to me about everything but the housing starts. Do I take that to be a tacit admission that you have no conceivable excuse for the collapse of the housing industry which we have seen in this province?

Hon. Mr. Dutchak: — I can assure the member that as long as there are the number of vacancies that we are presently dealing with in this province, caused by your administration, no further units will be built in those particular areas.

I can also assure the members that, if there is no need for housing in certain areas, they simply won't be built. And I can also assure the member that when there is a need, and that need is identified, we will comply with the need. We will produce initiatives to produce results, as we did with the Build-A-Home program, but I will not authorize building rows and rows of houses to stand empty, to create some jobs, because that is defeating the whole purpose. It's wasting the taxpayers' money, and it's required, and it's not . . . Housing is not to be treated as simply a make-work project.

There's a need there, and that's the only purpose a government has in being there.

Mr. Shillington: — Would the minister explain to me where there are rows and rows and rows of privately owned, vacant houses in the city of Regina? I really would be interested in hearing that.

Hon. Mr. Dutchak: — I think that I can advise the member that there are approximately 173 vacancies in the city of Regina. In small-town Saskatchewan there are many more, and I see the member for Shaunavon is in his seat and perhaps you can ask him about his constituency. You can also ask some of your members why units were built in the towns in their constituencies against the recommendations of the Sask Housing staff. And perhaps you may also want to ask me about the empty units in the Cornwall Centre.

Mr. Shillington: — Well, I suspect, Mr. Minister, I'm not going to get into an argument with you on the 173 publicly owned, publicly owned houses which you say are vacant. I suspect, Mr. Minister, that whether or not there are problems, you haven't tried very hard to solve them, because you'd rather have the vacant houses and use those as a political football and solve the problem. I suspect that may well explain the Cornwall Centre as well. You have not tried to solve the problem because you find it convenient, and you don't care about the taxpayer's money — you could care less.

Mr. Minister, would you comment . . . If you haven't got the mental grasp to comment on the province wide figures, would you, Mr. Minister, comment on the housing starts in Regina, because the decline in this city is even more dramatic than it is across the province?

In table five of the same Stats Canada report, we see that in Regina there were 67 dwelling starts in March of '84, compared with 166 in '83. The decline in Regina has been even more dramatic. In Saskatoon there were 264 starts in March of '84, compared with 365 in March of '83. The April figures, Mr. Minister, are even worse. The figures from CMHC show an even more dramatic drop — 196 dwelling starts in Regina in April of '84, compared with 327 in April of '83 — a decrease of 48 per cent. In Regina — 193 starts in April of '84, as compared to 417 in April of '83 — a decrease of 59 per cent.

Mr. Minister, the decline in housing starts is nothing short of cataclysmic, and it appears to be getting worse. The April figures are worse than March, and we appear, Mr. Minister, to be heading into a very, very bleak summer. Mr. Minister, you are obfuscating when you are suggesting that there is a problem with vacant privately owned houses in this city. You know

that isn't so. You just know that is not so.

I would believe, Mr. Minister, there are some numbers of vacant houses, but surely that is simply a transitional problem, if that's so. There's always some vacant houses in a city. There's some in my ridings. Indeed, my Conservative opponent had lawn signs on every vacant house in the entire riding. And I'm sure there were some number of them – not quite enough, but there were some. So I can believe, Mr. Minister, you know where the vacant houses are, because you put lawn signs on them in the last election, and probably plan to do so again in the next election.

But, Mr. Minister, there are . . . The housing industry appears to be collapsing, and I would remind you, Mr. Minister, that the mortgage rates are appearing to be going up, and what is more important, they are perceived by the public as going up. And that can have nothing but catastrophic results for the housing industry, as people see that mortgage rate climbing, and they believe it's going up to 16 or 20 or however dismal they appear to be.

Mr. Minister, I suggest to you that what this province needs to maintain the number of housing starts is a crash program. What you give us is a number of your initiatives which you're considering. Mr. Minister, your analysis isn't going to put a coat-hanger in a house in Regina. What we need, Mr. Minister, are some programs of the sort you had last year, and of the sort you don't have this year. Without them, Mr. Minister, you're going to preside over a disaster in the housing industry in this province.

Hon. Mr. Dutchak: — Well, I can advise the member most definitely that I will not institute any crash programs. We carefully plan our programs. We also deal with the public when we design our programs, and I find it strange that the member is bringing up all these concerns about the bleak outlook. When I talk to builders, almost on a weekly basis . . . When I talk to HUDAC (Housing and Urban Development Association of Canada), the association representing the home builders, they don't seem to have that bleak outlook.

But what many of them tell me is that the outlook is sure good, since you're coming and talking to us, as opposed to the former administration. That's what they're telling me. So, unless the member has some authority where he gets these ideas from, I will continue to take it that it's simple rhetoric.

Regarding the number of houses that are empty, I was referring to our structures, not private structures out there. So I think the member had better get his facts right, and if we're going to continue in any meaningful dialogue, facts would help.

Mr. Shillington: — Mr. Minister, I have given you the facts which you request and which you studiously ignore. A 69 per cent – and I'll give you time to write this down, if you need it. The Minister will get his crayon, and his paper, and start.

A 69 per cent decline in houses in the first quarter in the province of Saskatchewan. That's 6 and 9 – one right side up; one upside down. Mr. Minister, in Regina in April, the decline in housing starts has increased over March. And it has in Saskatoon, as well. And do you think, Mr. Minister, that that might have anything to do with mortgage rates which are increasing and which are making people extremely skitterish?

I have never seen, Mr. Minister, a buying public or a business community as skitterish as they are right now. The slightest waver in the interest rates just sends everyone into a foxhole. And I think that's what's going to happen to the housing industry in this province, and a lot of people are going to get hurt – both those who work; the industry who depend upon sales; and the small-business community for whom this is an important source of retail and wholesale sales.

So I ask you, Mr. Minister, not to comment on what you believe to be abysmal programs, which I suggest you simply can't administer. You're too incompetent to administer it.

I ask you to comment on the future, and on these facts which I've given you. I ask you to comment on the statistics which I have given you and what I suggest to you is an increasingly bleak outlook.

Hon. Mr. Dutchak: — Well, I certainly fail to share the bleakness that the member seems to indicate, and I don't intend to attack the member's personal integrity in any way, because I don't think that's proper in this Assembly.

And I simply want to mention that the interest rate problem that you're talking about is something that we recognized early. We recognized it while we were in opposition. That's why we instituted the mortgage protection program. So, don't talk to me about interest rate problems. We wrote the book on curing the problem, and other jurisdictions followed us, and it's something we're continuing to monitor in the future.

Mr. Shillington: — You're monitoring it, Mr. Minister. Are you doing anything about it?

Hon. Mr. Dutchak: — The member seems to ask the questions with no real substance to them. The interest rates seem to be going up slightly. However, they're certainly not in the category that they were when we took office, and at that time, it was a serious matter. The previous government didn't seem to want to plan anything to protect people from interest rates – and we quickly enacted our mortgage protection program.

We always had that view, and will continue to protect the people in that manner. Our answer to housing is not simply building houses for people. We want people to own their own houses, and they need a safety net. And we look at mortgage protection, and we'll continue to have that philosophy, whether the member likes it or not.

Mr. Shillington: — Well, I don't like it, and I don't think the public of Saskatchewan, in increasing numbers, like that attitude, Mr. Minister. This government came into office with two ideas, both of which were electorally attractive – mortgage interest reduction and gas tax. Mr. Minister, you haven't had a new idea since then.

Mr. Minister, this is very much a do-nothing government. You are faced with statistics, which I have read to you, which suggest that the housing industry is slipping into a serious problem. There's some obvious reasons for it, with the interest rates going up. All we get from the minister in this Assembly is not any sort of an intelligent discussion of the problem, but a recitation of what you believe our sins were over the last four years.

I say to you, Mr. Minister, that's not going to get you re-elected. A recitation of our sins worked in '82, but it's not going to work in '84. If you expect electoral support in '84 or '86 or whatever it is, Mr. Minister, you're going to have to deal with the problems here and now. The problem here and now is that the housing industry is in a rapid state of decline, which should alarm any concerned person. I ask you, Mr. Minister, if you're concerned about these statistics which I just read to you.

Hon. Mr. Dutchak: — Well firstly, let's not compare notes on the ability to get elected; and secondly, if you're talking about protection for people, I indicated to you what we did on the interest rate. If that's what's stopping people from building, they know the safety net is there. However, it's really over-simplifying the situation if you're suggesting that we compare this year to last year. Last year we had a Build-A-Home program which created many, many starts. It's logical to assume that this year we won't have that number. It's only common sense. It's also common sense that if the need is not there, people are not going to build houses because the member from Regina Centre wants them to, and that's what's happening. People who need houses will build houses, and if they're afraid of the interest, their fears are not there because of our safety net.

Mr. Shillington: — Well, Mr. Minister, that sort of *laissez-faire* approach to housing has not worked in the past. It was not the approach which the member for whom you were just speaking had, when he was minister in charge of the housing. And I suggest, Mr. Minister, it's inappropriate now to suggest that if people want a house, they'll go out and buy one.

The problem, Mr. Minister, in an atmosphere such as we live now with the recession, with the kind of recession we're in, is that people need inducement before they're going to take a chance, and that's what your predecessor in office did, he gave them some inducement. He had the build it program, and I will admit, it had an effect.

I don't think, Mr. Minister, that was an outlandishly expensive program, given what you accomplished. I wonder, Mr. Minister, why you don't . . . Faced with a situation which is more serious than what he faced, I wonder, Mr. Minister, why you don't introduce such a program; why you don't discontinue your efforts to suggest that the only problems in housing were those left to you by the NDP.

I suggest, Mr. Minister, that the recession which this government has aggravated by its approach to fiscal and monetary policy has, in fact, created a new housing problem — which you ought to be dealing with. And I ask you, Mr. Minister, why you're not dealing with it.

Hon. Mr. Dutchak: — Well, I notice the one thing the member does avoid is to suggest his alternative to the situation — his solution. All I hear is gloom and doom. I gave you the answer, indicating that the building starts were likely down this year over last year, but that they were down because we don't have the same need for the new constructed units this year as we did last year. That is my position.

Now, if the member has some particular expertise or knowledge, which I doubt he has, I would like to hear about it. I talk to the builders; I talk to the people that buy houses, live in them, rent them, or whatever, and they don't tell me what the member is saying. Now, how do you get all this expertise that no one else in the province has?

Mr. Shillington: — Because I use my common sense — something I'm suggesting that the minister in charge of the Saskatchewan Housing Corporation do, Mr. Minister. I suggest you just use your common sense.

Mr. Minister, the program which your predecessor in office had was one which provided an inducement to the public to build a house which they, in the end result, were responsible for; and if they had an existing house, they were responsible for selling that; and it worked. And, Mr. Minister, that is all the program is, is an inducement. And the end result: the public can take advantage of it, and build a house; have to be responsible for selling the other one if they got one. If they are not a new entrant into the housing market, then they're going to sell the old one.

So, Mr. Minister, the private market, with which you believe so fervently, I suggest will take care of a shortage — of there is one. I don't think there is one, Mr. Minister. I suggest to you, Mr. Minister, that there is no excess number of houses in this province.

I suggest to you, Mr. Minister, that if you reintroduced a program such as what your predecessor in office had, Mr. Minister, I think you would see the same dramatic results. It would have the effect of creating unemployment — and I know this government could care less about the unemployed. That at least seems to be your approach. And, Mr. Minister, you would go some distance towards forestalling a shortage of houses, which I suggest is going to rear its ugly head as soon as more normal economic times return.

Mr. Minister, the former government was in office when such a shortage of housing came about. And the results, Mr. Minister, are not very attractive. Mr. Minister, this province went through

a very sharp recession in the latter days of the Thatcher government, in the '60s. And in '72-73, houses in this city doubled in price. And that is not a healthy situation, Mr. Minister. That may make some existing home owners relatively affluent, based on the assets they have. But, Mr. Minister, a lot of people get hurt when the prices of houses climb as dramatically as they have in this city, and as they did in Vancouver and Toronto within more recent memory.

I suggest to you, Mr. Minister, that the statistics which suggest rapidly deteriorating housing construction market should be of concern to you. The unemployment which it's going to create should be of concern to you. The long-range problem with the shortage of housing should be of concern to you. And I ask you, Mr. Minister, why these things aren't of any concern to you.

Hon. Mr. Dutchak: — Well, when the member starts to compare our situation to what happened in Vancouver, it certainly indicates that I was right in my assessment of his lack of understanding. The Vancouver situation was a short-term situation. There was a combined short-term shortage with a land value increase which escalated prices. We simply don't have that situation here, and any person that has his eyes open would not see the similarity at all.

There are a number of things that the member is assuming. If the Build-A-Home program were reinstated for this year, he's assuming there'd be the impact that it had last year. We have specialists in the Saskatchewan Housing Corporation who study this sort of thing. We consult. We consult with builders, we consult with consultants, who indicate that the impact wouldn't be there. The member must also remember that last year our Build-A-Home program was combined with a federal incentive program, which made it very interesting to start a house. The incentive was there.

So we've analysed the situation. We can see more of a need for apartment units. There will be a shortage of apartment units, since no new ones have been constructed in the last few years. A negligible amount of new ones were constructed, so we brought in the rental incentive program which we're presently working on and implementing, that is to increase the number of apartment units for rent. That's where the need is.

If the member wants me to name many communities where excess houses, owned by us, I can name them. But I think the member is well aware, and if he isn't, he simply should ask his colleagues in whose constituencies whose houses exist.

Mr. Shillington: — Mr. Minister, I suggest to you that we need both. We need both individual houses and we need apartment, as well. I will admit there is a need for apartments. I'm very sceptical, Mr. Minister, I may say, about whether or not your program is going to create a dramatic increase in the number of apartment. That has proved to be a very obstinate problem for a large number of government. And I am dubious as to whether or not what you are working on – and I suggest you ought to have it entirely finalized – but with the program you have, Mr. Minister, I am really rather sceptical as to whether or not that will produce a dramatic increase in the number of apartments.

But, Mr. Minister, I suggest to you that you also need a housing program for single family dwellings. That was where the Saskatchewan Housing Corporation began, and it is in the past where it has achieved its greatest success. The Saskatchewan housing program has wrestled in the past with the shortage in apartments, and it hasn't solved it. It has been able to effectively, under a number of different programs, spur the number of single family dwellings. And that, Mr. Minister, I think is reflected in the relatively low prices of houses in this city – and they are low, compared with Vancouver and Toronto, but also cities of similar size.

The cost of housing in this city has kept relatively reasonable. I think that's because in the past the corporation has concentrated on the building of houses. Mr. Minister, you're neglecting the field. By doing so, you are neglecting the workers, and you are neglecting the long-run need of the housing industry, which is for an increasing number of single family dwellings.

Hon. Mr. Dutchak: — Well, again, I can't agree with the member when he indicated that his government took the initiative to help single families have their own home. The Build-A-Home program was geared to help young families build their own homes. Our government recognized that we wanted people building their own home, and many first time home owners took advantage of our program, and now are living in their own homes.

And quite frankly, I simply don't agree with the member's analysis of there being a shortage in any area. I certainly challenge the member: if there's any area of Regina, or any area of Saskatchewan, please identify that area for me, where there's a shortage or a perceived shortage, and I'll deal with it.

Mr. Shillington: — Mr. Minister, I want to move on to the area of apartments. I will simply leave houses by saying that your legacy is going to be a rather sorry one, Mr. Minister. I think you're going to be gone from office before you see it. I think it is not this administration which will deal with the housing shortage, but I think it is the next administration — and the next administration is not apparently going to be a PC administration.

An Hon. Member: — It's going to be ours.

An Hon. Member: — Don't bet on it.

Mr. Shillington: — Mr. Minister, no, I wouldn't bet on it — but I certainly wouldn't bet on the current administration being returned, either.

Mr. Minister, I want to deal with your program which you say is going to spur the building of apartments. I would ask, Mr. Minister, how that program is going to succeed, and why it is going to succeed where a number of other programs, I think, have not succeeded. Mr. Minister, there have been provincial programs, there have been a number of rather lush federal programs, and, Mr. Minister, in the period I have been in elected office, the vacancy rate in Regina and Saskatoon I don't think has ever been above 2 per cent for any extended period of time. Mr. Minister, the vacancy rate is still unreasonably low. Mr. Minister . . .

An Hon. Member: — What is unreasonably low?

Mr. Shillington: — What is reasonable? Well, the Minister of Social Services — who I see has joined the goon squad; come over to this side to make the estimates more difficult . . . (inaudible interjections) . . . Well, there is a regular team of people who come to this side of the House to yell at us, to make these estimates more difficult. I'm a little surprised that the Minister of Social Services thinks it is fitting that he should join the goon squad, but I welcome you to it, if you think that's an appropriate role for you.

Mr. Minister, I ask you how your program is going to succeed where a number of others have failed. Mr. Minister, when we introduced the rent controls some years ago, CMHC used, as a bench-mark then, 5 per cent — 5 per cent was a reasonable vacancy rate. Now I see fingers flashing in the background, and CMHC may have revised its figures downward, because they may believe 5 per cent is impossible. But I suggest to you, Mr. Minister, that a figure of 5 per cent is what is needed to provide a properly functioning rental market. We haven't had that in some time, Mr. Minister. A number of programs, in times that were a lot more buoyant than now, have failed to significantly budge that vacancy rate. I ask you, Mr. Minister, how you think your program is going to succeed where others have failed.

Hon. Mr. Dutchak: — Well, the member should be used to the fact now that programs succeed because we're in charge. We consult with the building industry; we consult with the people in need. We don't do things in an ivory tower; we don't design our programs here without talking to people. The Build-A-Home program was our program — it succeeded. The

member should be used to success on this side of the House.

The vacancy rates – I'm not sure what the member was quoting. He first quoted 2 per cent as being the vacancy rate. Regina is 3 per cent, according to CMHC (Canada Mortgage and Housing Corporation); Saskatoon is 4.7; and Prince Albert, 4.9. We can see those percentages starting to decline, and therefore we're looking at new incentive programs to build more units.

I think the member remembers a few years ago the federal government brought in the MURB (Multiple Unit Residential Building) program. That build new units. There's many ways to build new units. What I will not do is build further Cornwall Centres to take care of the problem.

Mr. Shillington: — Mr. Minister, I gather that we have achieved something at this point in time that we haven't so far achieved. We agree upon one thing: the need for more rental accommodation.

But, Mr. Minister, I have seen a number of programs come, some involving large expenditures of public funds, which really haven't had the desired effect on the rental market.

I'd ask you, Mr. Minister, how you think, and why you think your program is going to succeed when others have failed.

Hon. Mr. Dutchak: — Well, Mr. Chairman, I'm going to need a more specific answer from the member. I want the member to indicated what program in our government's administration he's speaking of that has failed. If he's talking about the former administration, I can take no responsibility for that.

I'll use this as an example. The Cornwall Centre cost you \$80,000 per suite; it costs me \$50,000 per suite to deliver the same quality of accommodation today. So you tell me about what program you're concerned about.

Mr. Shillington: — Mr. Minister, no one is going to accuse you of introducing a program which has failed, because you have introduced so few programs at all.

Mr. Minister, I am referring to federal programs. There were a number of them – a number of programs of which the MURBS were one – that built rental accommodation. There were other programs which provided tax credits to those who built them. None of those programs, Mr. Minister, had the desired effect, and I ask you, Mr. Minister, why you think your program is going to succeed, when the federal ones, I think, have largely failed to redress the imbalance in the rental market.

Hon. Mr. Dutchak: — Well I'd like to indicate to the member that that's certainly a warped view of the history of housing in this province.

You indicate the MURB program; that's the only one I understood from your side. You state that the MURB program, the federal MURB program, did not work. It build thousands of units across the province, and then the MURB program was discontinued by the federal government. But I'd simply compare that to your program of building the Cornwall Centre. And you're telling me that that's a better program? Unless you can indicated why the MURB program was a dismal failure, I think your comments must be simply political, not factual.

Mr. Shillington: — The CMHC, Mr. Minister, had a number of programs. I do not remember the names at this point in time, but I can tell you that, all combined, they did not redress the problem of an inadequate vacancy rate, Mr. Minister. You are introducing a program in a market that I think is very difficult. And those programs were introduced in a market which was buoyant, in a mood of investor confidence in the economy. Mr. Minister, you're introducing this program in a very difficult market, when investors are extremely skitterish. I have never seen a private

market as skitterish as it is right now. It doesn't matter whether you're dealing with the home buyer, or the apartment builder, or the office developer – the private market is very skitterish.

And, Mr. Minister, I suggest that you're introducing this program in a very difficult market, and I would ask you again how you think your program is going to overcome the problems which it faces – being highly volatile and unstable interest rates; skitterish investor climate in which they assume the worst. And I ask you again, Mr. Minister, how you think it's going to work. Because I suggest it isn't going to have any more dramatic effect than other housing programs which did not redress the fundamental problem of an inadequate vacancy rate.

Hon. Mr. Dutchak: — Well, the member asked me how I know this program is going to work, and I suppose that I can't prove to the member today that a program I'm implementing is going to work, but I know it'll work, because of the way we're putting it together. Previous programs implemented by the former administration were all CMHC induced programs. You people didn't come up with any initiative; you just carried out CMHC programming. The Economic Council of Canada and the conference board both criticized those programs as having the lack of ability to target to the need groups. So we've looked at that, and we've targeted our programs to the groups that are the needy. That's something which was wasn't done before.

When you're talking about the problems of the volatile interest rates and the uncertainty in economy that was there last year, and 6,000 people went ahead and built houses under our program. The developers, the builders, are phoning us every day, asking us for more information on our program. They think it's going to work. So I think the member's going to have to bear with me: rely on the success of our government in the past; and have some confidence that things are going to work.

Mr. Shillington: — Well, I want to confess, Mr. Minister, that I am not familiar with all the details of your program to spur rental construction. I'd ask you, Mr. Minister, if you'd give us the details of that program, so that we may take the discussion from there.

Hon. Mr. Dutchak: — I'll provide all the details to the member in written form, in due course, including all regulations, all regulatory matters that are presently drawing, and as much information as I can, because I'm sure the member would want to pass this on to his constituents.

Mr. Shillington: — Do I take it from that answer that you have not finalized the details of your program and you are still – I'm being generous – fine-tuning it?

Hon. Mr. Dutchak: — Yes.

Mr. Shillington: — Well, no wonder we've had such a difficult time over the last 10 minutes, and no wonder you've been so hesitant to explain to me why you think the program's going to work – because you don't have the details of it, apparently, yet.

Mr. Minister, surely if you can't give us all the details, you can at least give us some general statement about how it's going to work, because if you can introduce a program which will significantly spur the construction of rental accommodation, that, Mr. Minister, would be worth something.

I have just been in this House for, now, going on 10 years, and I've seen a number of programs which didn't do the job. And I really wonder how yours is going to where others haven't. So if you could give me some general statements on how this thing is going to work, that would be of some assistance.

Hon. Mr. Dutchak: — I want to remind the member that he has to judge our chances of success in this program with what we've done in the housing corporation since our government

took office. We haven't had a failure yet. We've cleaned up your mess, to a large extent; we've taken on your problems, and we've made headway. We've come in with new programs – they were all successful.

So I hope that give the member some confidence. In relation to the rental incentive program, specific detail is being drawn up because we don't want to give developers a generalized ideas of what they can go ahead with. Builders – builders want specifics. And that's the fine-tuning that's taking place, and I've never said otherwise. And that'll be ready shortly.

However, the rental incentive program provides developers with incentives to build their own apartment buildings. These are geared to target groups. I note the member isn't listening to the answer now, but a few minutes ago it seemed important. The incentive program is to provide targeted groups with accommodation from the private sector. So that's how it works.

If there's any specific questions, I'd be pleased to answer them, but the generalized information has already been provided through the budgetary process, and the specifics are going to all interested developers and builders, and I'll be pleased to supply the member with full details when they're ready.

Mr. Shillington: — You're talking about your plan – your announced plan – to develop private sector housing for the elderly; private sector rental accommodation for the elderly. Is that what we're talking about? I'm having the greatest difficulty, Mr. Minister, getting from you any idea of what you're talking about.

Hon. Mr. Dutchak: — Our position is that governments should be involved where the target groups need the housing or accommodation. So if it means providing accommodation to the low income working people, we have a program now that the developer can look at, that the builders can look at, to privately develop an eight suite, or a ten suite or a twelve suiter, to have low income people live in that particular building, without government necessarily owning it. The other programs are still in place. We just want more of a variety. We want to get the private sector involved.

Mr. Shillington: — Well, I thank the minister for his time spent in answering that, but I would have appreciated you addressing yourself to the question. Is this something, is this anything other than your announced intention to encourage private sector housing for the elderly?

Hon. Mr. Dutchak: — No, this is more than that. This is a plan which we are drawing to provide the incentive to create new apartment structures in the city of Regina, Saskatoon, wherever they are required in the province, to certain target groups.

I think the message that I gave, which the member is referring to, was made several months ago. And I think it's a general direction of our government, to allow the private sector to provide more accommodation to various target groups where possible. However, we're supplying the target groups with accommodation at the present time. We monitor the situation, standards, and so on. However, if you want me to say that the private sector is going to be involved with us, the answer is yes.

Mr. Shillington: — When you say target groups, are you referring to private non-profit groups, private profit groups, both – or do you know for sure what you're referring to?

Hon. Mr. Dutchak: — I can assure the member that I know for sure. That refers to individuals, corporation, non-profit groups, and private groups. It applies to everyone. We don't necessarily say that you have to be a co-operative to qualify for this particular program. If you are a non-profit group, or club, you can qualify for the program. We are not restricting.

Mr. Shillington: — What sum of money has been budgeted for this program, Mr. Minister?

Hon. Mr. Dutchak: — The budgeted amount are units, 650 units, as . . . Because the program is a subsidy situation, there won't be any cash flow necessity in the first year; it will be over a matter of time. However, the unit number to be provided in the first year is 650.

Mr. Shillington: — So I take it that one of the advantages of this program is it isn't going to cost the taxpayer a nickel, at least in this taxation year. Is that what you're telling me? There's no money budgeted in the program for this year?

Hon. Mr. Dutchak: — That's correct, because you can't build an apartment in one night.

Mr. Shillington: — Mr. Minister, is it interest . . . are you subsidizing the interest rates, are you subsidizing construction costs? Both? Neither?

Hon. Mr. Dutchak: — It's set up as a cash flow allowance or loan. In other words, where a certain rental level is required to carry the costs of construction for the builder, and a certain target group is brought in — let's say a family that is employed, but not earning enough income to rent from the private sector — they will be able to rent for the lower figure, the subsidized figure, if you like. And that's how that's calculated. It's going to be on the basis of a formula, and the dollar values will vary according to the type of accommodation, according to the city, according to the type of people that reside in the units.

Mr. Shillington: — So the subsidy goes to the tenant. Did I understand you to say that you're going to pay the subsidy to the tenant so that they can afford the higher rents that present day construction costs entail?

Hon. Mr. Dutchak: — No, the subsidy will go directly to the builder to limit . . . He'll be tied to a certain rental level for the particular target group. So he's producing a certain rental accommodation at a certain value, to be determined by an agreement between us and the builder or the owner.

Mr. Shillington: — So you're going to subsidize construction costs and on that basis you will then exercise, by contract, some degree of control over the cost of the suite to the eventual tenant. That's an old CMHC program. I don't know the name of it, but that was around when I was minister in charge of rent control some years ago.

It didn't have a very dramatic effect, Mr. Minister, because those who built the apartments had a legitimate worry about inflation and their ability to control their costs. You might subsidize the construction costs, but if you're going to exercise any long-term control over the rents charged to the apartments, then you're going to scare off . . . What happened with the CMHC program was: they, in some similar fashion, subsidized construction costs but they, Mr. Minister . . . The program was not widely utilized because there was no protection to the builder against subsequent inflation. And I suggest, Mr. Minister, that if you are exercising long-term control over the costs of the apartments — providing a subsidy here and now — you're, I think, going to have a sceptical industry.

Mr. Minister, over what period of time after the suite is initially rented, over what period of time would the rents be controlled?

Hon. Mr. Dutchak: — It will be a 10-year contract. However, I want to remind the member that I think the member is confused on two different programs that CMHC had. The one I was referring to was extremely successful. I believe you were referring to the GPN program, and the deferred loans program is a similar program to what we're implementing. It was highly successful, but discontinued by the federal government. So you are confusing the two issues.

Mr. Shillington: — Mr. Minister, when do you expect to be in a position to announce this program? I'd suggested that any time now would do, because the industry needs time to gear up for it, and the activity is needed right here and now.

Hon. Mr. Dutchak: — The program will be announced shortly to take advantage of the seasonal, the work.

Mr. Shillington: — Are you able to define "shortly"? I say that, Mr. Minister, because so many of your colleagues have promised something shortly and a year later we're asking, where is what you promised a year ago, shortly? So can you put any finer edge on what you mean by shortly?

Hon. Mr. Dutchak: — No, I can't put a finer edge on it. However, if the member was that concerned he would have called me in the last year to ask me about the program, or when we would be bringing it in, so I take your comment as simply political rhetoric. We're going to come in with it shortly; we're doing some fine tuning on the program. It's going to be a good program and I'll advise the member on the same day that we're able to announce it.

Mr. Shillington: — Mr. Minister, you must have projections as to what the program is going to cost you in subsequent years. I'm trying to get a handle of what the size of this program is. What is your five-year projection for the cost of this program?

Hon. Mr. Dutchak: — Again I'm concerned that the member may not understand the total details that I have provided to him. However, the total cost of the first 650 units will be approximately \$7.8 million over the life of the program. So it's a yearly requirement of funding and some of that is dependent on the levels of subsidies required, which depends again on the target group we're dealing with.

Mr. Shillington: — Well, Mr. Minister, this is strange. I want to leave this subject. I wouldn't be able to swear positively that no mention was made of it in the budget. But to put it mildly, your program hasn't received a lot of discussion, and I'm frankly surprised, Mr. Minister, you've been hiding your light under a bushel in the way you have.

Mr. Minister, you spoke of inviting the private sector to develop housing for the elderly. Well I won't read you the whole article, but I'll read you the headline, *Leader-Post*, December 16, 1983. "Province invites private sector to develop housing for the elderly."

Mr. Minister, is the article misleading, or do you have such a program? Because I frankly find it surprising that subsidized — that the private sector could substitute for publicly owned and publicly administered housing for senior citizens.

Hon. Mr. Dutchak: — Well again, I don't think the member is informed on the programs that we have. We've got groups now administering certain seniors' homes, non-profit groups, and that's not publicly administered. And that's . . . We're looking at more of that. We're looking at the private sector getting more involved.

And the article that the member's referring to was certainly quoting me correctly. I said that, and I believe that. In fact, at one of our task force meetings as we travelled the province talking to seniors, which is new in this province, several seniors asked me whether I'd have any program where several seniors can get together and build a senior's apartment building, which is a novel concept in this province. The new program that we're addressing will enable them to do that as well.

Mr. Shillington: — I gather we're not talking about non-profit groups which build senior citizens' housing at which a subsidy is provided. This is something new and different than that.

There has for a long time, Mr. Minister, been a program whereby non-profit groups such as the Greek Orthodox Church in Saskatoon (by way of example), build senior citizens' housing and receive a grant for the construction, and I think an operating grant as well. I gather we're not talking about that program. You have something else in mind. And I wonder, Mr. Minister, what it is you have in mind apart from this traditional program whereby charitable organizations are given assistance in building senior . . . basically churches, basically churches are given assistance in building senior citizens' homes.

Hon. Mr. Dutchak: — Well as a point of fact, several church groups have been talking to us regarding our new program which I have just described to you. That's available to church groups as well. However, as we travelled the province, the seniors indicated they wanted a variety of accommodation offered to them — allow the private sector to offer accommodation. I think our program is going to enable various groups, companies, individuals to apply for the program, build to the standards and specifications, and provide the accommodation.

Mr. Shillington: — Have you got such a program? Were you blue sky? Or precisely how well developed is this idea to . . . apparently . . . Mr. Minister, are we talking about housing for profit? Are we talking about housing . . . Mr. Chairman, these estimates are getting impossible because of the assistance which both the minister and I are getting from both sides of the House. I wonder, Mr. Minister, if we might have a bit of order — Mr. Chairman, if we might have a bit of order?

Mr. Minister, I gather we are not talking about non-profit housing; we're talking about housing for profit for senior citizens. Is that correct?

Hon. Mr. Dutchak: — If the member could consider the MURB program that we had from the federal government. It was built because of certain tax advantages. There was incentive to provide private accommodation. We're looking at providing incentive to provide accommodation which could be applicable to seniors. So yes, I assume that if someone, whether a group of seniors get together, or church organization wants to take the risk and build an apartment building, I assume that they would want some profit at some stage.

Mr. Shillington: — I gather this, Mr. Minister, is a program which you are considering, but which has not yet reached anything like a final stage.

Hon. Mr. Dutchak: — That's correct.

Mr. Shillington: — Mr. Minister, are there any plans afoot to build publicly — owned senior citizens' housing? I can give you some of the examples in Regina. The Horizon, the Heritage, Prairie Place, and so on. Mr. Minister, that type of accommodation provides housing for the most indigent of senior citizens. And I am told that there are very long waiting lists of several hundred; there has been for some time, actually. Ever since the first one was built many years ago, there have been long waiting lists. It has not been possible to meet the demands. Mr. Minister, are there plans afoot to build additional publicly owned senior citizens apartments of the nature that I refer to?

Hon. Mr. Dutchak: — Yes, there are definitely plans to build more units. However, I hope the member wasn't insinuating that we weren't building these units because they are being built; they are being announced. And it's interesting that the member refers to the Heritage complex — the Heritage building, that was built by the Thatcher administration. And we're building other units and we're looking at Regina. Regina has need and that's being identified and the answer is yes, we are proceeding.

Mr. Shillington: — Well, Mr. Minister, it's interesting you should mention the Heritage. The Heritage was initiated by the Thatcher government, but in fact opened by ours. And I suspect, Mr. Minister, that some of the housing programs . . . I suspect, Mr. Minister, that some of the

housing programs . . . I suspect, Mr. Minister, that some of the housing programs . . . I suspect, Mr. Minister, that some of the publicly-owned apartment complexes which have been opened under your administration were, in fact, started under the former administration.

What I want to be clear about, Mr. Minister, is I would like some confirmation that, in fact, new apartments and new complexes are being initiated in Regina. And I wonder if you could give me some idea of the pace at which these new apartments are being initiated.

Hon. Mr. Dutchak: — Well I'm pleased that the member from Regina Centre has a renewed interest, or a new interest in the seniors of this city. The answer is yes, it's being proceeded with. I'll be making an announcement rather quickly on the issue. I might want to correct something and I hope the member wasn't attempting to mislead this House.

The Thatcher administration initiated the building of the Heritage building; it was a CMHC initiated complex at that time. The opening took place . . . the opening was conducted by CMHC, and I believe your representative was simply invited there.

Mr. Shillington: — Mr. Minister, I think Mr. Minister knows that those are joint federal-provincial programs, have been and always will be.

I suspect, Mr. Minister, unless you have found some mother-lode that we have not, you are also using CMHC money to build the publicly owned apartments which you are building . . . (inaudible interjection) . . . Yes, you're not selling much uranium; you are selling highway equipment. It may be that that's where you're going to get all this money from.

Mr. Minister, the building co-operative housing program has decreased rather dramatically in the budget, and I wonder why this program is being cut back. It's not for everybody, but some people took advantage of it, built their own houses. And I wondered, Mr. Minister, why you're cutting back so dramatically on this program, or do you anticipate that this segment of the market, like all others, are simply going to collapse this year?

Hon. Mr. Dutchak: — Well the reason is fairly clear. There simply wasn't a need for any continuance of the program. The 13 and a quarter per cent mortgage program, coupled with our Build-A-Home program took up the need that was there. And that's what happened.

Mr. Shillington: — What did you actually spend in 1983-84?

Hon. Mr. Dutchak: — On what?

Mr. Shillington: — On your co-operative housing program.

Hon. Mr. Dutchak: — The subsidy which related to previous construction was \$1,235,887.

Mr. Shillington: — Mr. Minister, you must, at this point in time, have a pretty good idea of how many houses are going to be built under the co-operative housing building program in this year. They're usually well under way by this time, and are making initial plans. I wonder, Mr. Minister, if you can tell us what you anticipate for the upcoming year, what you anticipate the demand for the program will be.

Hon. Mr. Dutchak: — There'll be none. I want to advise the member that we are looking at a approach of co-operative ownership for our PHD (Prairie Housing Development) stock, however, where there's been some interest expressed — and that's relating to senior citizens, I might add.

Mr. Shillington: — PHD being public housing development.

An Hon. Member: — Prairie.

Mr. Shillington: — Prairie Housing, Prairie Housing, right. Mr. Minister, if I could return for a moment to the private sector housing for the elderly. I wonder, Mr. Minister, if you can tell the House why you think it would be cheaper to do it through – to have them privately owned rather than publicly owned. I'd just like to know, Mr. Minister, why you'd think it would be cheaper.

Hon. Mr. Dutchak: — Because of the construction of the programs in effect up to now, there's been a need for seniors, for example, the medium-income seniors who simply can't afford to reside in privately owned complexes because of the rental rates, and these people have always been left behind. They've always been left on the waiting list because the priority is the people in greater need, and over the years the seniors have noticed this.

When we travelled to the 10 centres in the senior citizens' task force, at almost every centre there was an explanation that these people seem to have been left out. And so I think they're going to benefit by this program which can be delivered by the private sector. I don't think there's any need for government to be into this kind of delivery. And I tell you, I know that government can't deliver the structures any cheaper than the private sector; and again, I think you have to just look back at the Cornwall Centre, and you know that.

Mr. Shillington: — Mr. Minister, I believe subvote 30 to be the program – and correct me if I'm wrong – to be the program whereby, I think it was almost exclusively churches were assisted in building non-profit, low-cost housing, low-cost apartments for senior citizens. Mr. Minister, this subvote has decreased, and I wonder why this has been done?

If I'm right that this is the program – it struck me that this program produced a fair amount of housing in an environment which I think some people wanted, to live in a religious colony, if I might put it that way. And I remember, Mr. Minister, when we were in office the demand was insatiable. Everybody, everybody wanted to do it, and there were far more demands being made upon that program than we could meet. I wonder, Mr. Minister, why the funding in that program is down?

Hon. Mr. Dutchak: — I'd like to advise the member that the subvote amount is 50 per cent higher than it was last year. The actual take up under last year's program was \$501,601, that's because of the stage of development the very projects were at. So this year's subvote is an actual increase of approximately 50 per cent.

Mr. Shillington: — Do you anticipate approving any new programs under this?

Hon. Mr. Dutchak: — Yes, there's certainly other projects that will be considered and accepted. These projects, as you know, take time for the groups to organize themselves and proceed through architectural stages, planning stages, tendering, and so on. So it's gradual process, but yes, there is funding in there for new programs.

Mr. Shillington: — Mr. Minister, either there has been a dramatic, and I think unprecedented drop in demand for these over the last year or so, or you have failed to approve some over the last year. Or there would have been some new ones starting up this year which would have taken up the slack.

I ask you, Mr. Minister, how it is that there weren't, if you like then, some new programs, some new projects approved last year which would have taken up the slack, which you say exists. I gather what you say is that the funding is down by nearly 40 per cent because some of the existing projects are winding down, and less money is being spent. How is it that there wasn't a steady flow of new approvals to take up the slack?

Hon. Mr. Dutchak: — As I indicated earlier, the \$501,601 was initial costs, not the end cost on these projects. So they're continuing on into this year, and there will be new ones approved as well. And we certainly don't intend to not approve units, and that's been communicated. And some of these groups nowadays are actually looking at our other programs as well, such as the 650 program I talked about earlier, and other programs.

Some of the groups also made representations to our task force meetings expressing some new ideas as to some new programs, because we found that seniors across the spectrum simply asked for a better variety of programs to choose from, and the group's been taking advantage of this.

Mr. Shillington: — Mr. Minister, you have provided a, and I think a welcome increase in grants to the home improvement for the disabled program. Does this represent an increase? Subvote 37 appears to be a 100 per cent increase, although not in total a large sum of money.

Does this represent a change in the regulations by which they're approved, or just an increased demand? How is it that you are spending 100 per cent more?

Hon. Mr. Dutchak: — Under the program of your administration, you had an income maximum of \$16,500. We increased that maximum to \$23,000 because the disabled people were telling us that the people that were earning between 16,500 and 23,000 also needed some assistance, some help in renovating their homes to allow them to live comfortable in their homes.

We recognized the problem, and we felt that the figure used under your administration was restrictive – too restrictive – and that the disabled people upwards of 16,500 also needed some help, and we helped them.

Mr. Shillington: — One final detail, Mr. Minister. I would appreciate being supplied with the salary of your general manager of your corporation – I assume that in a sense he's your permanent head – salaries and names of your personal staff. You can supply it in writing if you have it available. You can give it to me orally, if that's your style.

Hon. Mr. Dutchak: — We have it available, and I'll send it over.

Mr. Lingenfelter: — I wonder if the minister would, on one point – and we've exchanged letters on it, I believe once or maybe twice – and that's on the Ponteix project. I think there was three units there.

I wonder, has a letter been sent out to the town of Ponteix that those three units will be built this summer? And I wonder if you can just ask someone there, and then just let me know.

Hon. Mr. Dutchak: — I don't believe we have that particular information, but I'd be pleased to supply the member if the member will allow our officials to call him tomorrow.

Item 27 agreed to.

Item 28

Mr. Shillington: — Thank you Mr. Chairman.

Mr. Minister, have you announced the details of this program? Have you announced any increase in the maximum amount and so on? Has that all been announced, or is that yet to come?

Hon. Mr. Dutchak: — Yes, the details have been announced.

Item 28 agreed to.

Items 29 to 31 inclusive agreed to.

Item 32

Mr. Shillington: — It's with respect to an earlier question, Mr. Minister. I have received, and I thank you for the details of the senior staff of this housing corporation.

I also wanted the salaries, names, and positions of your personal staff in your office.

Hon. Mr. Dutchak: — I'm sending it over.

Item 32 agreed to.

Items 33 to 35 inclusive agreed to.

Item 36

Mr. Shillington: — We have here a decrease of some 30 per cent. I wonder why, Mr. Minister. Does that simply reflect a depressed farm economy and an expectation that fewer farmers will take up this program?

Hon. Mr. Dutchak: — No, the forgiveness reduces each year and that reflects the reduced figure.

Item 36 agreed to.

Item 37 agreed to.

CONSOLIDATED FUND LOANS, ADVANCES AND INVESTMENTS

SASKATCHEWAN HOUSING CORPORATION

Vote 149

Item 1 – Statutory

Vote 149 agreed to.

Hon. Mr. Dutchak: — Mr. Chairman, I'd just like to thank the opposition for the questions, and my officials for the answers.

Mr. Shillington: — I'd also like to thank the minister and his officials for assisting us in these deliberations.

CONSOLIDATED FUND BUDGETARY EXPENDITURE

ENERGY AND MINES

Ordinary Expenditure – Vote 23

Item 1

Hon. Mr. Schoenhals: — Mr. Chairman, I'd like to introduce the officials. We have, on my left, Bob Reid, the deputy minister of Energy and Mines; on my right, Bruce Wilson, the executive director of petroleum and natural gas division; Dale Fletcher, the acting director of economic and

fiscal analysis; Myron Sereda, behind the deputy minister, the director of the engineering branch; Doug Koepke, the supervisor of accounts, on his left; and behind me, Dr. Les Beck, the executive director of geology and mines.

Hon. Mr. Blakeney: — Mr. Chairman, and Mr. Minister, I'd like to review first, if I might, the revenue estimates for the department, and I think that we could turn to 112, the Heritage Fund, since most of the revenue is in the Heritage Fund. And I'd like to ask you, and I will go over this relatively rapidly because much of it is fairly simply routine. Hope not . . . the member for Moosomin and I are sharing the same complaint these days.

An Hon. Member: — I didn't know he was on Geritol.

Hon. Mr. Blakeney: — Well if he isn't, he should be.

Mr. Minister, last year the estimate for oil royalty, was 324 million – last year I'll use as '83-84; this year I will call '84-85. Last year – 324 million. Do I have any reason to believe . . . is that going to be approximately right?

Hon. Mr. Schoenhals: — No, Mr. Chairman, we'll be a little above that.

Hon. Mr. Blakeney: — So you're going to be above 324 million. Yet for this year, you're estimating 340 million, obviously less than a \$16 million increase in royalties. About what increase in royalties are you anticipating this year over last year?

Hon. Mr. Schoenhals: — Mr. Chairman, the final figure for the previous fiscal year is not in. It would be difficult to give you a definitive answer. We expect an increase . . . shall we say moderate?

Hon. Mr. Blakeney: — With respect to . . . so you're expecting something more than 324 million for last year. You're estimating 340 million for this year. With respect to freehold oil production tax, you estimated 128 for last year; you're estimating 123 for this year. Do you have reason to doubt the 128 figure?

Hon. Mr. Schoenhals: — We, Mr. Chairman, should be very close to that figure.

Hon. Mr. Blakeney: — Mr. Chairman, and Mr. Minister, why would you anticipate a drop in freehold oil production tax receipts this year?

Hon. Mr. Schoenhals: — Mr. Chairman, it would probably be easiest if I simply indicated from my notes. I am told that the answer to the question results primarily from the SOOP (Special Old Oil Price) to NORP (New Oil Recovery program) policy change, new wells drilled, and the normal decline of production from existing wells. The first two give a positive impact to 1984-85 revenues, but the latter is a negative impact, the production from existing wells. Since over 60 per cent of the SOOP to NORP production and the new drilling was on Crown lands, the biggest revenue increases thus come from Crown oil production. The negative impact of the declining production from existing wells on Crown lands was not greater than the positive impacts on Crown lands, thus a net increase. This was not true in the case of freehold lands, thus a slight decrease.

Hon. Mr. Blakeney: — Mr. Chairman, Mr. Minister, would the minister refresh my memory on what the acronym SOOP stands for? I know what NORP stands for, but I have forgotten what SOOP stands for.

Hon. Mr. Schoenhals: — Special old oil price. It's that middle group.

Hon. Mr. Blakeney: — And how does the switch from . . . Was there an actual switch of wells

from the SOOP tax to the NORP tax? And if so, how could that increase revenues?

Hon. Mr. Schoenhals: — As a result of our pricing negotiations, the new agreement, there is no longer such a category as SOOP. It was all elevated to NORP, so now it's NORP pricing, NORP royalty.

Hon. Mr. Blakeney: — But the increase in revenue then would come about not because of a change from SOOP to NORP, but because of an increase in oil prices. The NORP is a lower tax rate than SOOP, so you can't move things from SOOP to NORP and get more money. But only if the price of oil is going up, but I take it you're telling us that the oil price, the average price for Saskatchewan oil, has gone up.

Mr. Chairman, and Mr. Minister, I asked for some information, and you very kindly provided it, for which I thank you. And you provided me with a table of estimated revenues, and also a longer narrative which is headed: "Sask. Energy and Mines Mineral Revenue Branch Heritage Fund Revenue," and then "Oil" and on a 13-page narrative which bears date September 20, 1983, on the last page.

And the one which I will call the narrative, the 13 page document, doesn't agree with the other document in a number of cases. I'll just take the front one, the oil. Oil royalties on the summary document is stated at 340,900,000, and in the narrative is 333,600,000. I'm not quarrelling with that, since the one pre-dates the other by a good number of months. I'm just asking which one are you putting forward as your current estimates?

Hon. Mr. Schoenhals: — The September 20th was produced first, and in an effort to get you the information, we simply reproduced it.

The summary tables with the 340 figure is our latest estimate.

Hon. Mr. Blakeney: — Thank you, Mr. Minister, and I say for the record that the narrative was sent to me other than to convey the figures that are there, and I raise no issue about the fact that they don't match. I just wanted to confirm that we were working from what I called the summary document.

With respect to net royalty, you have a figure of 9,000,008 last year and 12,000,000 this year. Do you estimate the 9,000,008 for last year to be approximately right?

Hon. Mr. Schoenhals: — Again, Mr. Chairman, hon. member, it will be slightly above that, I believe, when the final figures are in.

Hon. Mr. Blakeney: — Mr. Chairman, and Mr. Minister, are you calling for bids on a net royalty basis now? Are you accepting any bids on net royalty? And if so, are you permitting the bidder to set a royalty rate, or are you using a standard 50 per cent? Are you using the net royalty method of bidding at all?

Hon. Mr. Schoenhals: — Mr. Chairman, the answer would be no, we're not.

Hon. Mr. Blakeney: — Mr. Chairman, Mr. Minister, would you indicate why you're not using net royalty. Net royalty is a method whereby small companies without very many dollars can get into the game, and can, without a whole lot of up-front money, can bid on Crown land. And while you're obviously getting fairly lively bidding without it, my question really is: why do you exclude a good number of small companies that simply cannot compete in the multimillion dollar league which the majors create when land is going at high prices?

Hon. Mr. Schoenhals: — The reason that we haven't used it is that we haven't had any requests to use it. It's my understanding that the reason we haven't had any requests is that

payments to us on a net royalty on a lease are not deductible on federal income tax. And it's changes in the federal income tax laws, and it simply hasn't been requested.

Hon. Mr. Blakeney: — Mr. Chairman, and Mr. Minister, I thank you for that reply. I was aware of that problem and thought it had been solved, and I take it it has not been resolved.

I remember talking about this with Mr. Shoyama some period, some time ago, and there was, at that time, an agreement that it ought to be solved. But I take it it was not solved, and fair enough. That will certainly kill net royalty bids.

So you're anticipating then, Mr. Minister, that oil royalties will be 340.9 million and the freehold tax will be 123 million. I will . . . With respect to export tax flow back on oil. That is still at 50 per cent? Is that accurate?

Hon. Mr. Schoenhals: — That's correct, yes.

Hon. Mr. Blakeney: — Mr. Chairman, and Mr. Minister, about what are the export taxes now on, let's take a barrel of south-east Saskatchewan, good quality, light crude?

Hon. Mr. Schoenhals: — There's no south-east light exported at this time, but it would be \$5.93 a barrel. Six dollars, roughly.

Hon. Mr. Blakeney: — Mr. Chairman, and Mr. Minister, is any of the . . . is there any of the Kindersley light oil exported? So basically, you nod no, basically the Government of Canada is still discouraging the export of light, sweet crudes? And you are mainly exporting mediums and heavy crude? Would you comment?

Hon. Mr. Schoenhals: — Mr. Chairman, that is probably an accurate statement. They will still license light oil export if there are major shut-in problems, but at the present time the Canadian refineries are subscribing for the oil we're producing. And so there is no export at this time.

Hon. Mr. Blakeney: — Mr. Chairman, and Mr. Minister, with respect to natural gas royalties, you estimated last year, just over \$5 million. Are you anticipating that that's approximately right?

Hon. Mr. Schoenhals: — Our latest estimate is down slightly. Right now we have 4,497,000 as our . . . (inaudible) . . .

Hon. Mr. Blakeney: — Mr. Chairman, and Mr. Minister, do you anticipate that the higher royalty of 8 million 4, will arise because of higher royalty rates or greater gas production?

Hon. Mr. Schoenhals: — The . . . (inaudible) . . . Mr. Chairman, and hon. member, would be threefold, actually, that'll result from higher prices, higher royalties, and increased production, so there will be three factors that will contribute to that increase.

Hon. Mr. Blakeney: — Mr. Chairman, and Mr. Minister, that is gas produced in Saskatchewan. To the knowledge of the minister, is it all sold to the Saskatchewan Power Corporation, or are there any other customers?

Hon. Mr. Schoenhals: — There is . . . It's mostly Sask Power. A certain amount of it is released fuel for someone with his own pump jack but, as has always been the case, most of it goes to SPC.

Hon. Mr. Blakeney: — Mr. Chairman, and Mr. Minister, this seems a convenient time to ask a couple of questions about the, about the, I would say, new gas policy announced by the minister some weeks ago, and it was . . . It is described thus:

Under the new gas policy, the provincial government intends to double production of natural gas over five years. This means that by 1988 Saskatchewan will be producing two-thirds of its needs and importing one-third from Alberta, rather than producing one-third, as is currently the case.

What I am asking you: you're talking about a doubling of gas production over five years. This states this, but assumes that all of that gas, or virtually all of it, will go in substitution to Alberta gas, and not because of any increase in the market.

When you were making your statement, did you . . . Were you talking about an increase in the total consumption of gas, or were you talking about displacing current imports from Alberta as the likely markets for the gas?

Hon. Mr. Schoenhals: — We're talking primarily about displacement. No extraordinary increase is anticipated; there will be some, but it's primarily displacement.

Hon. Mr. Blakeney: — Mr. Chairman, and Mr. Minister, are contracts expiring so as to permit that displacement, or are other methods proposed to permit displacement in spite of existing contracts?

Hon. Mr. Schoenhals: — Mr. Chairman, the major portion of that comes from a voluntary reduction of sales to Saskatchewan by TransCanada Pipeline.

Hon. Mr. Blakeney: — Mr. Chairman, and Mr. Minister, what inducements were held out to TransCanada Pipeline to get them to agree to a voluntary reduction in sales?

Hon. Mr. Schoenhals: — Mr. Chairman, there were no inducements offered; there were no inducements asked for. It was a process of discussion. I believe it's fair to say that the amounts we're talking were significant to our industry, but really not very significant in the total picture of things to TransCanada Pipeline.

Hon. Mr. Blakeney: — Mr. Chairman, and Mr. Minister, you're talking about 35 or 40 billion cubic feet, I suppose, over five years, if you're talking about one third of our consumption, or thereabouts, speaking now from memory. And you are telling me that TransCanada Pipeline are backing off from 40 billion cubic feet without any, just to be a good neighbour, or without receiving any inducements.

Hon. Mr. Schoenhals: — That's basically correct, Mr. Chairman. The amount that we're discussing results in, or amounts to — although we don't have an exact figure — less than two per cent of what flows through the TransCanada Pipeline, and your statements are, in fact, the truth.

Hon. Mr. Blakeney: — Thank you, Mr. Minister . . . (inaudible interjection) . . . Oh, I believe your mathematics. It's the other parts of your statement of which I'm a little dubious.

Mr. Chairman, and Mr. Minister, I turn now to potash for a moment, and note that in '83-84 you estimated \$7.8 million as the potash royalty. Do you have reason to believe that that will be about that, or substantially different?

Hon. Mr. Schoenhals: — Mr. Chairman, we now believe it will be up marginally over that figure.

Hon. Mr. Blakeney: — Mr. Chairman, and Mr. Minister, to revert to the earlier line of discussion and this may not be . . . the minister may not be able to answer this question, and if so, I'll understand. With respect to TransCanada Pipelines, is it in the knowledge of the minister as to whether or not the existing litigations between TransCanada Pipelines and Saskatchewan Power

Corporation is being pursued with vigour, or has it been settled?

Hon. Mr. Schoenhals: — Mr. Chairman, to our knowledge, which is limited on this topic, the litigation has not been settled. The degree of vigour with which it is being pursued is not something that we really have the ability to comment on.

Hon. Mr. Blakeney: — I simply wondered whether it contributed in any way to the good will that TransCanada Pipelines was so uncharacteristically showing. They certainly didn't display a whole lot of good will with respect to that action. I'm not suggesting they should have, but they certainly didn't.

With respect to the potash base payment, you have a figure for last year of \$27.8 million. Do you expect that to be approximately correct?

Hon. Mr. Schoenhals: — Mr. Chairman, before I answer that, I would refer to the comments about the litigation and SPC. My officials did, in fact, attend all the meetings dealing with the back-out, for lack of a better term. And I am assured by my officials that the discussion of the litigation, at no time, came up during those negotiations, and was no part of that discussion.

In answer to your question about base payments for potash, we anticipate now that that will be down very slightly.

Hon. Mr. Blakeney: — Mr. Chairman, and Mr. Minister, you estimate the graduated payment at \$28 million in last year and at \$47 million this year. Do you think that \$28 million will be approximately accurate, and with respect to the \$47 million, how much increase in production or price does that figure presage? What changes in production price are built into that estimate?

Hon. Mr. Schoenhals: — If I might, I would deal with the first part of the question. Initially we do not expect now to reach the 28 million – twenty-eight one; twenty-eight two.

There are two reasons: price decreases that were slightly more significant than we had predicated when the blue book figure was arrived at; and secondly, some repayment of taxes that had been collected previously due to overestimation and one of the problems with the system, and that's why we will be down.

The second part of the question, if I could get you to repeat it . . .

Hon. Mr. Blakeney: — Mr. Chairman, and Mr. Minister, with respect to the estimates for this year of \$47.1 million, what built into that estimate by way of price predictions and volume predictions?

Hon. Mr. Schoenhals: — It's based on an increase in production, not a significant one – slight increase in production, and we're basing that on an average price of approximately \$120 a tonne. Projections are that that might increase in early '85 again, but that's roughly an average on the estimate.

Hon. Mr. Blakeney: — The estimate is based on \$120 per product tonne – per tonne KCI? . . . per tonne K₂O? That is a little less optimistic than the other one.

And again, sir, I'll ask you again, because I'm not quite sure what the answer was, and I'll go and ask you another question. This has to do with the approximate increase in volume that's built into this, the volume of potash.

And I'll go on to uranium and ask with respect to the uranium based royalty and the uranium graduated royalty for last year of \$6.6 and \$19.1 million, respectively – do you anticipate that they will be realized?

Hon. Mr. Schoenhals: — No, it's anticipated now that we'll be less in both of those figures than is shown in the estimates.

Hon. Mr. Blakeney: — Asking again on the potash, what did you say — I missed it, you told me, but I missed it. What did you tell me about the estimates with respect to volume of production?

Hon. Mr. Schoenhals: — We have figures in calendar years. We're estimating that '84 will be up approximately a million tonnes over '83, and that will hold through '85 is the basis of the estimate.

Hon. Mr. Blakeney: — Mr. Chairman, with respect to crude oil production, and what estimates of volume are built-in to your oil royalty and freehold oil tax production?

I should say that I apologize to the people who are recording this, for my cough drops. But I think the garble will be worse — less offensive than the cough so the . . .

With respect to what is built in here — in 1983 you estimated (perhaps calculated) crude oil production in calendar '83 at 9.5 million cubic metres, up 17.5 per cent or thereabouts from calendar '82 at 8.1 million cubic metres, and I'm quoting from the material from which you sent to me on page 1 and the third table. What do you anticipate that calendar '84 — and I take it these are calendar years — that calendar '84 will produce by way of crude oil production?

Hon. Mr. Schoenhals: — We were having a little problem with the conversion from barrels to million cubic metres, but I believe that the figure you quoted for 1983, 9.5 million cubic metres, works out to just about 60 million barrels. We are estimating 63 to 63 million barrels production this year in '84.

Hon. Mr. Blakeney: — Thank you, Mr. Minister, and as far as I'm concerned you can talk in barrels because I have some of those figures in my head, and I have no points of reference measured in cubic metres at all. I just am bound to the paper when I start talking about cubic metres. So you're talking about an increase of perhaps 2 to 3 million barrels, which would be of the order of perhaps 5 per cent; 3 million on 60 would be 4.8 so 4 to 5 per cent we're talking about.

Mr. Minister, I want to talk about a couple of other, or rather, different things. Now with respect to the potash tax regime — the potash tax regime is built on some agreements which expire, I think, the end of June. Can you tell me what is likely to be the tax regime in July when these agreements expire? Are the agreements going to be renewed, or is something going to replace the agreements?

Hon. Mr. Schoenhals: — Mr. Chairman, we are currently in consultation with the industry — have been for a period of months. We would anticipate that the final result will be something similar, at least, to what we have, certainly with similar returns to the provincial treasury, and we will be putting that taxation program, if you will, into legislation. And that will probably be not dealt with until fall. But we're working on that now, I guess is the answer.

Hon. Mr. Blakeney: — Well, Mr. Chairman, and Mr. Minister, if I understand your reply, you are proposing to, in effect, do away with the agreements, the contractual nature of the agreement, replace it by regulations, let us say, in the same as oil and uranium, but with similar overall financial impact so far as the Crown is concerned. Are you proposing to change the nature of the agreements substantially?

If I may rephrase that question — the agreements now provide a relatively modest base royalty with a relatively sharply escalating graduated royalty, which, while it has some clear difficulties, has some very, very solid advantages. What is the thinking of the government? Are they thinking of lessening the volatility of those tax rates, or leaving them at approximately their current rate of volatility?

Hon. Mr. Schoenhals: — Mr. Chairman, I think it's safe to say that we recognize some of

the problems that you've identified in the system. We also recognize some of the benefits, especially in down times. We are discussing with the industry, and we are thinking along the lines of a system that is not radically different, certainly, from what is in place.

Hon. Mr. Blakeney: — Mr. Chairman, Mr. Minister, not because necessarily we were the author of the system, but I think it has a whole lot of advantages because, well, for the obvious reasons, that when companies are making money while they grumble, but they are happy; they're not happy but they pay.

But when they're down, and they're not making any money, then it doesn't much matter what the tax rate is, you're not going to be able to collect it. And that is, that's a hard fact of life. And accordingly, particularly with these industries — potash, which seems to be a roller-coaster industry. One would hope that this would not always be so, but it seems to have those attributes, partially, I think, because it's so heavily capitalized and, therefore, relatively small changes in sales makes an enormous difference in the profitability.

There's a whole lot to be said for getting the money when they're making it and acknowledging that you can't get when they are not. I make that rather obvious comment, but it's a . . .

With respect to the uranium royalties, the uranium base royalty was set at an unreasonably low level because one producer, namely Eldorado at Beaver Lodge, could only be taxed at an unreasonably low level. Such were its economics. It is not around now. Is there any proposal for suggesting to, or entering into negotiations with the companies at least, to raise what I think is 3 per cent, or some very, very low royalty, to a somewhat more realistic base level royalty; a base metal royalty, and I acknowledge that we're not talking 15 or 20 per cent for that kind of a metal. But are you thinking about moving that up at all?

Hon. Mr. Schoenhals: — I think, Mr. Chairman, once again I would simply indicate that I've taken note of the Leader of the Opposition's points on the PRPA (Potash Resource Payment Agreement) system. It may not be our most critical consideration when consulting on these, but it's noted. Secondly, on the uranium royalty system we have, we feel, I suppose it's safe to say, that there are some problems with it. You've identified one. The industry has some other concerns that they've pointed out; we are discussing with them. At this time there are no specific plans that I can talk about, but it is something that is being considered and being worked on.

Hon. Mr. Blakeney: — Mr. Chairman, and Mr. Minister, I turn to another topic now, and that has to do with the natural gas flow-back issue. The one referred to in your annual report on page 5, and I won't go into all of the narrative here, but I will just quote a portion of it:

In January the National Energy Board replied saying that because Alberta and Saskatchewan had not resolved the flow-back issue, the application was denied.

That's the Ocelot application. And the National Energy Board did indicate that were the issue settled within a reasonable period of time, Ocelot's application would be reconsidered. Could the minister give a progress report, or comment on whether or not that issue is likely to be resolved.

Hon. Mr. Schoenhals: — I think, Mr. Chairman, that the Government of Alberta and ourselves have agreed to disagree on the item. There is no ongoing negotiations on the topic. There is nothing taking place at this time, and it's more or less an abeyance.

Hon. Mr. Blakeney: — Mr. Chairman, Mr. Minister, while I have this annual report here I would like to direct your attention to page 23. Perhaps you don't have one.

Hon. Mr. Schoenhals: — Mr. Chairman, if I might, we don't have a copy with us, but if you simply want to read the pertinent information that you want to question, then we will attempt to answer it for you.

Hon. Mr. Blakeney: — I would invite your attention to figure 12 and figure 15, and they're quite incomprehensible to me, and I think may be transposed. It may be that they make

somewhat more sense if they're moved. Figure 6 also, either I didn't understand it, or it's a shocker. It has a pie chart, value of Saskatchewan mineral sales, calendar year '82. It has oil, 90.3 per cent; potash, 4.8 per cent. I simply wanted to ask about that, though those can't be true.

Hon. Mr. Schoenhals: — Mr. Chairman, we believe you've uncovered an error, all right. We will attempt to correct that, and I could write the correction . . . the proper . . . you may have to deal with that. But it would appear that that is, in fact, incorrect.

We see something . . . oil producing, roughly twice as much as potash — \$1.3 billion roughly and roughly half that for potash. If that's of any assistance?

Hon. Mr. Blakeney: — Mr. Chairman, and Mr. Minister, nothing turns on the report, and I just felt I may be misunderstanding it. It obviously wasn't right in the terms it was stated, and I didn't know what the terms were.

Mr. Chairman, and Mr. Minister, you show in your estimates 340 million for oil royalties compared with 324 last year. And you say that's on the low side, so it will probably be a little more than 324 when you show freehold oil and production tax at 123 million compared with 128 last year. And even if I take the 324, the low figure, your revenue increase is 11.8 million only, on a net basis, or under 2.5 per cent. And you tell me that it will be less than that because the three twenty-four will be three twenty-six/eight or three thirty. So on a net basis your increase is going to be perhaps 2 per cent, taking oil royalty and the freehold oil production tax.

I note in the newspaper reports that a healthy oil picture kept Alberta energy revenues on track in 1983. For the nine months ended December 31, they were 3.92 billion; 9 per cent more than that collected in the corresponding nine months a year ago. It doesn't matter what I'm comparing with. No similar period in Saskatchewan will produce 9 per cent, or anything approaching 9 per cent.

Can you indicate why we are getting so much smaller increase on a comparable basis than Alberta is when I would have thought that our production was, again on a percentage basis, increasing more rapidly than Alberta's?

Hon. Mr. Schoenhals: — Mr. Chairman, what we have, of course, is old oil is no longer in production being replaced by new production of the old oil paid the higher level, and the new production is on the incentive program. So what we have is a time-lag, obviously, and we're building a base for the future and giving up a little bit in that respect. Two or three points have to be made though. That is more than offset by the land sales results, and I think it's also fair to point out that what you see in these estimates is, in fact, a net, which includes our incentive program, which is basically the same cost as your program, which never showed in there. Then, when comparing to Alberta, their revenue also does not show the cost of the incentive programs.

So, in net terms, I would suggest that these are optionally honest and realistic figures, and in fact, stand the test of comparison.

Hon. Mr. Blakeney: — Mr. Chairman, and Mr. Minister. On another occasion perhaps I would be happy to argue the two or three-year old, the royalty regime of two or three years ago versus the current one.

But I wasn't raising that. I was raising the issue that our production is going up. Last year, over the year before, it went up 17 or 18 per cent — by my calculation, about 17.5 per cent — and yet our revenue went up less than 3 per cent. Here is Alberta — I doubt whether their production of oil is going up more than 10 per cent — and they're picking up 9 per cent more in revenue.

And you are alleging that if we balanced off their incentive program there, the figures would be different. Is that what you're saying?

Hon. Mr. Schoenhals: — Yes, I'm saying that that figure does not include their incentive program — it's not netted. The figures that you showed didn't . . . When your program . . . You showed the program separately. The program is involved in these figures. It's a netted figure, and consequently, I think they will stand the comparison.

Hon. Mr. Blakeney: — Well, I'm not talking about our figures. I'm trying to compare Alberta's in '83 compared with '82; and Saskatchewan in '83 compared with '82. Those are the only figures we have, and Saskatchewan production in '83 went up about, by my calculations, 17.5 per cent, and our revenue went up something under 3 per cent. I didn't calculate the decimals.

Now I don't have the Alberta production figures here, but I would be very surprised if they were up more than 9 per cent in oil. They could have; their production increased, as everybody's did across the prairie basin.

In '82 they had fairly substantial PIP payments – petroleum incentive plan, whatever. I think that's . . . I think they're making their own direct incentive payments and they had them in '83 as well. So I don't think that those payments should affect our comparison.

I'm saying their production went up 9, or 10, or 11 per cent, and their revenue went up 9 per cent. Our production went up 17 per cent, and our revenue went up less than 3. And I'm curious as to know why that should be?

Hon. Mr. Schoenhals: — Mr. Chairman, we're checking some figures going back to '82. I want to make sure the figures are right. I don't know if you want to wait or carry on while we're doing the calculations or not.

Hon. Mr. Blakeney: — Thank you, Mr. Minister. I will ask a number of just subsidiary questions while we are doing some calculating. And when I am talking about the increase in production, I am using the material you sent. I guess would be about 53 million barrels or thereabouts, up to 60 million barrels – that approximately – and the revenue increase can be calculated from the estimates which you have given us.

Hon. Mr. Schoenhals: — Just for clarification, will you indicate the years that you wish to have compared? You went back to '82 at one point in your previous question, and we've been calculating back. We may be doing something that you haven't really asked for. If you could clarify that, please.

Hon. Mr. Blakeney: — Yes, Mr. Minister, I was comparing '82 with '83. I was doing that because the Alberta figures I was quoting were the last nine months of '82, compared with the last nine months of '83. And I think that those figures are reasonably representative of full calendar '82 and full calendar '83 of Alberta's. I don't think there's anything remarkable about the nine months. I was just taking our . . . because these are what we have figures for; we don't have '84 ones. Those are guesses at this point.

Hon. Mr. Schoenhals: — Mr. Chairman, in order to try to make the comparisons meaningful, it's necessary to take two elements and net them out. One would be the export tax, over which we have no control of, obviously; the other would be the cost of our incentive programs. When you do that, the '82-83 actual revenues versus our estimated '83-84, and we've indicated they will be slightly higher, but that's not finalized. We have a net increase in our revenues of 14 per cent, which again, I think, is a fair comparison.

Hon. Mr. Blakeney: — Mr. Chairman, and Mr. Minister, I don't know what the minister is talking about, but if he does, I'm surprised. The . . . well I won't pursue the matter, I'd just . . . his figures don't match mine, I guess is what I'm saying.

Hon. Mr. Schoenhals: — Mr. Chairman, just to clarify, and just to clarify what we're discussing. If we take the 1982-83 actual, not blue book, the actual figure, it will take the export tax revenue of 217 million, and the incentive expenditures of 57.8 million, you get a net revenue of \$425.1 million. Now if you do the same thing with the '83-84 blue book, now if we had the actual in front of us we could deal with that, but we will deal with the estimates, and remembering once again that the revenue will be slightly higher. We would be taking out an export tax revenue of \$23.7 million. We would be taking out \$30 million in incentives, and we would come up with a net oil revenues figure of something around \$485, which, if our calculations are correct, amounts to approximately a 14 per cent increase.

Hon. Mr. Blakeney: — Thank you, Mr. Minister, I follow your . . . I don't have the '82-83 figures here, and so I will simply drop that line of argument.

I just want to raise one other issue, other than a few short and simple ones. I would ask the minister, by way of a short statement, to give a report on base metal exploration in northern Saskatchewan, and gold in northern Saskatchewan, and give a comment on what he thinks the year may hold.

Hon. Mr. Schoenhals: — Mr. Chairman, first of all in activity in the mineral sector – exploration expenditures in northern Saskatchewan in million of dollars – just for comparison or interest sake, specific numbers in 1983, there were \$25 million in uranium – we're estimating 22 million in '84; in gold, 4.1 million in '83 – 6.4 is '84 estimate; base metals, 4 million in each year.

I think you asked for some indication of interest and activity – what we anticipate. We expect to be part of the opening of a gold mine in the Creighton area very shortly, within a matter of months. Flin Flon mines has already got ore out, they are active there. There's considerable interest in the Waddy Lake area based on our consultations with industry people, the incentive program that we announced in the budget, which consisted of fiscal changes, deregulation, regulatory changes, as well as the geo-science program. We feel that there is considerable potential, a great deal of interest, and we think that we will start to see that this exploration season and certainly into the future.

Hon. Mr. Blakeney: — Mr. Chairman, and Mr. Minister, I would like to direct a question or two with respect to heavy oil, and with respect to upgrader prospects. I won't quote the many comments that have been made in the House about upgraders. I can summarize a lot of them by a quote that was in *The Financial Post* a couple of years ago, by someone who said that, when it comes to upgraders, mostly it involves building it with somebody else's money. I think that tends to be a fairly incisive comment when it comes to upgraders.

I noted that Mr. Bob Blair was about in town recently, being optimistic about upgraders. And I gather he met the minister, and I gather that they were discussing the potential for a Lloydminster upgrader.

I want to ask: when the minister was talking about upgraders during the course of the consideration of the annual report of Saskoil, he was indicating that in order for an upgrader to be commercially feasible – and I'm paraphrasing his remarks and he can correct me if I'm misstating them – one needed a difference between heavy oil and Syncrude of perhaps \$8 or \$9. And if that's overstated, make it six or seven – and that the current difference was around \$3.40.

That's been sort of the hard economics of upgraders have been there for a long time. And the enthusiasm for upgraders took off when it was believed that light oil would be worth 40, \$45 per barrel in the relatively near future. And it was not anticipated that heavy oil would be worth that, and a clear margin of as much as \$15 was anticipated – then believed to be lots to finance an upgrader.

I would like the minister to indicate what the difference is now in the market prices of Syncrude or good quality light, sweet crudes and heavy oil.

Hon. Mr. Schoenhals: — Mr. Chairman, as of the present time, the latest price we have, our best light crude is 38.50; Lloydminster heavy is 29.45, a \$9.05 differential. And those are average; that is what we're looking at today.

Hon. Mr. Blakeney: — I am surprised to hear those figures, having regard to what I understood the minister to say in the Crown Corporations Committee. What does the minister say to this comment which was made at the Energex conference by a Mr. O'Brien, American, and he's, when he quotes dollars, now, he's quoting U.S. dollars. I want to make that clear.

Oil prices will stay at \$29 a barrel which means in real terms oil prices will decline for the foreseeable future. As a result, the horizons for high cost oil projects will be

pushed into the 1990s, which means that they are not as close as they once were.

This is the statement of Dr. Dennis O'Brien, chief economist with Caltex Petroleum. And the minister will know Caltex. Does the minister share that view of Dr. O'Brien on the likely stable oil prices with the result that high cost oil production projects are receding into the relatively distant future?

Hon. Mr. Schoenhals: — Mr. Chairman, just a comment back to the previous question on the possible reason for the differences. I don't know if it is the reason, but in Crown corporations we were reviewing 1982, and dealing with prices then as compared to what I gave you now, which is in fact the most recent actual prices.

In terms of responding to the comments made by the particular person, this Dr. O'Brien who you mentioned: as the Minister of Finance indicated, if I'm capable of, or he is, of predicting that, I can probably predict interest rates, and I don't propose to try very hard on either. But I think it is safe to say that our officials . . . Our view is not inconsistent with his in terms of pricing. It's also fair to say that his conclusion in terms of high priced production projects is relatively accurate.

I think it's important to remember though that upgrading is a refining process, not a production project. Consequently it lives off the differential between the two prices, as you've indicated yourself, and so the absolute price — what is actually going to happen to the price of the average barrel of oil — may not be a good factor. And I think what we're talking about is assessing an upgrader project and so, you know, I question whether that is, in fact, a good indication. But we don't have a whole lot of problems with his projections; we've got that from a lot of other . . . (inaudible) . . .

Hon. Mr. Blakeney: — Mr. Chairman, and Mr. Minister, dealing with the project at Regina, the upgrader at Regina, does the minister know anybody has put as much as a million dollars into that project other than the Government of Canada and the Government of Saskatchewan, up to this point? Is there anybody other than those two governments that has put as much as a million dollars into that project?

Hon. Mr. Schoenhals: — Mr. Chairman, I didn't bring our department member who is a representative of the management team with me. Consequently I don't know exactly what has or has not been spent. I think the facts that we do have though, the budget for Phase 1 which we are well into and right on schedule, I might add, is \$10 million. And over the course of Phase 1, the Federated Co-operative will put in one-third of that funding. So in terms of what has been spent to today, I can't give you an answer on that. I can take it upon myself to acquire that information, but the Phase 1 budget, as I indicated, is \$10 million shared a third, a third, a third.

Hon. Mr. Blakeney: — When you say that Federated is putting up a third . . . They are putting up one-third of their money without any reimbursement from either of the governments with respect to their third. Is that what you're advising me?

Hon. Mr. Schoenhals: — Yes, that's correct.

Hon. Mr. Blakeney: — Mr. Chairman, and Mr. Minister, the first phase is, as you say, going ahead and the total expenditure for that phase is to be approximately \$10 million. Can you tell me when that phase is scheduled to be completed?

Hon. Mr. Schoenhals: — Phase 1, as I indicated, which deals with some preliminary process evaluations, some environmental work, and some of the basic technological work and engineering studies, is anticipated to take until some time roughly a year from now. The second phase is the construction phase, and it's anticipated that we would be into that phase probably by the second quarter of 1985. But again that's subject to change, but that's the program.

Hon. Mr. Blakeney: — So, Mr. Chairman, and Mr. Minister, the first phase is the evaluation, planning phase, and it has approximately one more year to go. Is that correct?

Hon. Mr. Schoenhals: — I think, Mr. Chairman, it should be pointed out that a great deal of the preliminary work has been done. We're benefiting from what a lot of other people have

done in the upgrading process. But yes, that is the schedule and we are confident that the project is on schedule, is progressing as planned, and will in fact meet that deadline.

Hon. Mr. Blakeney: — Mr. Chairman, and Mr. Minister, with respect to the proposed upgrader at Lloydminster: Mr. Art Price, who will be known to you, the president I believe he now is, of Husky, is quoted as saying recently, referring to one issue to settle on the upgrader, is reported as saying that the PGRT, petroleum and gas revenue tax, was the one outstanding issue with respect to the upgrader at Lloydminster. Can the minister indicate whether or not he has been in negotiations with the federal government concerning the application of PGRT to the upgrader project?

Hon. Mr. Schoenhals: — Just, Mr. Chairman, to clarify: the quote is that that is the one federal issue left to negotiate. That's not the one issue. There are some things with the two provinces as yet to be dealt with. But in terms of PGRT, which is totally a federal issue, Mr. Price indicates publicly that that is the one key issue they have left to deal with.

We have been in contact. Whether, in fact, they have total agreement on the other issues, you know, I'm not in a position to indicate. But, as I understand it, that is the outstanding issue that is simply a concession that is being asked by Husky of the federal government — some questions in terms of how to identify pay-out, how long it will be deferred, and so on.

But that is a federal thing, and they are awaiting Mr. Chretien's attention to that. He may have other things on his mind these days, and, in fact, that is probably entering into the process.

Hon. Mr. Blakeney: — Mr. Chairman, and Mr. Minister, with respect to the upgrader in Lloydminster, is it anticipated that the Government of Saskatchewan or any agency of the Government of Saskatchewan will be an equity partner in the project?

Hon. Mr. Schoenhals: — I'm not anxious, shall we say, to get into a detailed discussions on what is being negotiated with Husky. We will make those facts public, certainly in this House if and when there is a deal struck.

In terms of that question, an equity partnership at this time: that has not been considered. No.

Hon. Mr. Blakeney: — Mr. Chairman, and Mr. Minister, this is the . . . I won't press these if they are inappropriate, having a regard to the state of the negotiations.

You indicate that it is not anticipated that the Government of Saskatchewan will be an equity partner. Is it anticipated that the Government of Saskatchewan will provide substantial direct financial assistance, either by way of loan or guarantee?

Hon. Mr. Schoenhals: — Mr. Chairman, that is verging on some of the things that we're not prepared to deal with. But yes, loan guarantees have been one of the issues that have been discussed. I believe that again is public knowledge. I think it's safe to assure the member that if in fact loan guarantees are entered into, they will be properly secured, and that if in fact that happens, we will be releasing the details at that time.

Hon. Mr. Blakeney: — Mr. Chairman, Mr. Minister, I won't pursue this line of questioning. I certainly don't want to do anything which could even indirectly or peripherally hinder the minister with regard to these negotiations, which we all hope will be successful.

With respect to the Regina upgrader project, again since that is farther along, there may well be things that the minister could say about that one. Is it proposed that — same two questions — is it purposed that the Crown, the Government of Saskatchewan, or any agency of the Government of Saskatchewan would have an equity position with respect to the upgrader? And if the answer is no, is it proposed that the Government of Saskatchewan would be providing any direct financial assistance, either by way of loan or guarantee?

Hon. Mr. Schoenhals: — Yes, I think it's fairly public knowledge, Mr. Chairman, the proposal at NewGrade, or the co-op project, is that the Government of Saskatchewan will ultimately be a 10 per cent equity holder. The project in general terms is financed 30 per cent

equity and 70 per cent debt. The debt is guaranteed 50 per cent by the federal government, 50 per cent by the provincial government, or 35 per cent of the total project each.

Hon. Mr. Blakeney: — Mr. Chairman, Mr. Minister, I'm not sure I understood what the minister told me. He said that the project would be financed as to 70 per cent by debt, and 30 per cent by equity. And of that 30 per cent, speaking now only of the 30 per cent, will the Government of Saskatchewan have 10 per cent of 30, or one-third of 30?

Hon. Mr. Schoenhals: — Mr. Chairman, one-third of 30, 10 per cent of the project.

Item 1 agreed to.

Items 2 to 5 inclusive agreed to.

Vote 23 agreed to.

SASKATCHEWAN HERITAGE FUND
BUDGETARY EXPENDITURE (RESOURCES DIVISION)

ENERGY AND MINES

Ordinary Expenditure – Vote 1

Item 1

Hon. Mr. Blakeney: — Mr. Chairman, what are compensation payments pursuant to the section 33 of the oil gas conservation stabilization etc., act?

Hon. Mr. Schoenhals: — Mr. Chairman, hon. member, that is compensation to original mineral rights owners, for lands that were acquired by the Crown in 1974. I think it's referred to as Bill 42.

Item 1 agreed to.

Items 2 to 4 inclusive agreed to.

Vote 1 agreed to.

SASKATCHEWAN HERITAGE FUND
BUDGETARY EXPENDITURE (ENERGY SECURITY DIVISION)

ENERGY AND MINES

Ordinary Expenditure – Vote 47

Item 1

Hon. Mr. Blakeney: — Mr. Chairman, and Mr. Minister, here is a grant of \$20 million. This is the old program which you indicated was no longer operating. Are these payments which are owed, or is the program for past work, or is the program still operating?

Hon. Mr. Schoenhals: — Mr. Chairman, this is, as was indicated, left over, if you will, from the old program. I suppose you could say we're paying your debts. When we negotiated the new program, there were \$300 million owing in banked accounts from various oil companies.

We negotiated that down to one-third, and this is this year's payment that was owed based on that previous program, the success of which I won't comment on.

Item 1 agreed to.

Items 2 to 7 inclusive agreed to.

Vote 47 agreed to.

SASKATCHEWAN HERITAGE FUND
LOANS, ADVANCES AND INVESTMENTS (ENERGY SECURITY DIVISION)
ENERGY AND MINES

Vote 63

Items 1 and 2 agreed to.

Vote 63 agreed to.

SUPPLEMENTARY ESTIMATES
SASKATCHEWAN HERITAGE FUND
BUDGETARY EXPENDITURE (RESOURCES DIVISION)

ENERGY AND MINES

Ordinary Expenditure – Vote 1

Item 1 agreed to.

Vote 1 agreed to.

SUPPLEMENTARY ESTIMATES
SASKATCHEWAN HERITAGE FUND
BUDGETARY EXPENDITURE (ENERGY SECURITY DIVISION)

ENERGY AND MINES

Ordinary Expenditure – Vote 47

Item 1 agreed to.

Vote 47 agreed to.

SUPPLEMENTARY ESTIMATES
SASKATCHEWAN HERITAGE FUND
LOANS, ADVANCES AND INVESTMENTS (ENERGY SECURITY DIVISION)

ENERGY AND MINES

Vote 63

Item 1

Hon. Mr. Blakeney: — Mr. Chairman, this raises the arrangement with NewGrade Energy Incorporated. This came up a number of times, and I ask the minister whether or not the agreement between the Government of Canada and the Government of Saskatchewan and NewGrade Energy is available. Have the documents been tabled, and if not will he send me a copy?

Hon. Mr. Schoenhals: — Mr. Chairman, the answer to the question would be no. Since we are involved with a private sector business, we, at their request, have not made the documents public. However, if there are specific questions I would be prepared to attempt to answer them.

Hon. Mr. Blakeney: — Mr. Chairman, and Mr. Minister, with respect to a project of this size, I can think of no precedent where the documents have not been public, but there may well be some. I think of the Prince Albert pulp mill and Athabasca pulp mill, and all of those . . .

An Hon. Member: — What about Key Lake?

Hon. Mr. Blakeney: — Key Lake? I don't know. As far as I'm concerned, the documents are public but the . . .

An Hon. Member: — When you were the premier, were they public?

Hon. Mr. Blakeney: — Don't know whether you asked . . . (inaudible interjection) . . . Sure, sure, sure.

What I'm asking, Mr. Minister, I clearly misunderstood the information you earlier gave. I asked what the investment was, what the contribution was of the three parties, and you indicated that there'd be \$10 million, and that they each were putting in a third.

And then I asked, or meant to ask, whether or not the two governments were providing part of the money which Federated Co-op was putting in. And I got the impression that the answer was no, that Federated was putting up their third. I note now that you are making a loan of 4 million to NewGrade, is it? Are each of the Federated, the federal government, and the provincial government, making a loan of 4 million to NewGrade?

Hon. Mr. Schoenhals: — Mr. Chairman, what I indicated before was that we had not made a loan. There is provision in the agreement, if need be, that the two governments would provide that. Consequently, it's budgeted. At this stage there's been no request. Things are going along and we don't know yet, but we're optimistic that it won't be needed. But it is there, if that clarifies it.

Hon. Mr. Blakeney: — It clarifies what the obligations of the Government of Saskatchewan are, but doesn't clarify what the obligations of your partners are. As I understand it, Federated's going to put in a million dollars in equity, you are going to put in a million dollars in equity, and the federal government are going to put in a million dollars in equity. But only the two governments are agreeing to make loans, and not Federated. Is that true?

Hon. Mr. Schoenhals: — If I understand what is being asked, and I hope I can clarify it, the Phase 1 portion — the \$10 million expenditure — is being split by the three parties. We have indicated to co-op that if, in fact, they don't have the wherewithal to provide their share, we would loan it to them. That would be an actual transfer of funds that we would loan to them. In the Phase II in the construction, where we . . . the 35 per cent or half of the debt, that will not be

a direct – that is a guarantee. If I've clarified it.

Hon. Mr. Blakeney: — Mr. Chairman, and Mr. Minister, I certainly do not understand. Let us distinguish between Federated and NewGrade. I got the impression that each of the parties was either putting in either one-third of up to \$10 million in the research, or alternatively they were putting it into NewGrade.

Let me ask this question. Who is spending the money? Is it NewGrade? And I assume the answer to that is yes. Then who is putting the money into NewGrade, and how much of it is equity, and how much of it is loan money?

Hon. Mr. Schoenhals: — I will try this once more. It might be best if I consulted with our board representative, and provided you the information you're asking for.

The pre-construction period, NewGrade Energy will spend \$10 million. That will be provided by the three partners. In Co-op's case, however, the two governments have made an arrangement that, if necessary, we will loan them their share. And that's the extent of it. Now if more detail, and you want more information on that, I can provide that. But I would like to have the official who sits on that board available to provide the exact details.

Hon. Mr. Blakeney: — Mr. Minister, as you have told me, that is money which the government of Saskatchewan would lend to Federated Co-operatives Limited, not to NewGrade, and is quite separate and apart from the loan to NewGrade which we just dealt with in the Energy and Mines capital vote a moment ago. And they're not in any way associated. That 4 million is in no way associated with any obligation you may have to supply Federated with the wherewithal to carry their one-third. Do I understand that?

Hon. Mr. Schoenhals: — I believe that that is correct. As I indicated, I would like the opportunity to confer with the officials, but I believe that is a fair interpretation. I wouldn't want to be held . . .

Hon. Mr. Blakeney: — Mr. Chairman, and Mr. Minister, if the minister, after consultation, would just send me a little clarifier so that I would understand it, I would appreciate it. Thank you.

Item 1 agreed to.

Vote 63 agreed to.

Hon. Mr. Schoenhals: — Mr. Chairman, earlier in the evening the Leader of the Opposition identified a obvious inaccuracy in our annual report. When the annual report was printed there were a couple of printing errors, and rather than reprint the report, we issued an errata statement which obviously didn't get there. And if I could just have a page bring it over, I think it'll explain the whole thing.

Mr. Chairman, I'd like to take this opportunity to thank my officials for their help throughout the evening. Thank you.

The committee reported progress.

The Assembly adjourned at 10:19 p.m.