

LEGISLATIVE ASSEMBLY OF SASKATCHEWAN

May 9, 1985

EVENING SITTING

COMMITTEE OF FINANCE

CONSOLIDATED FUND BUDGETARY EXPENDITURE

RURAL DEVELOPMENT

Ordinary Expenditure – Vote 43

Item 1 (continued)

MR. LUSNEY: — Thank you, Mr. Chairman. As I was saying, Mr. Minister, when we reached 5 o'clock, I had some real questions on what you mentioned as being a good budget and what I thought was not a good budget.

Mr. Minister, when I said that this budget affected people in rural Saskatchewan, I meant that it affected people in rural Saskatchewan, because when you look at the tax increases that people in rural Saskatchewan got this year because of your budget. I think one would have to say that it really did affect the farmers and just about everyone in rural Saskatchewan. The small-business people in the small communities, the urban governments are also going to feel the effects of it.

I have here, it was an ad you had in the newspaper, in *The Watrous Manitou* back in '82 when you were running, and there's a couple of items that I really found interesting in here. And one was that you, if you became the government, were going to reduce provincial income taxes by 10 per cent — reduce provincial income taxes by 10 per cent. Well that's one thing that apparently didn't happen because, if we saw anything, we saw an increase in provincial income taxes.

They had another one, and they are very specific in here: eliminate 5 per cent E&H tax over four years. You put that in brackets. You would eliminate that over the four years and, Mr. Minister, what did we see in this year's budget? Not the elimination of the 5 per cent E&H tax. This is going into the fourth year. One would have thought that if it was going to be eliminated, it would have happened this year at least — we're into the last year. But, Mr. Minister, Mr. Chairman, that did not happen. We saw that 5 per cent tax being expanded, again going to affect every farmer, every business man in rural Saskatchewan. It's going to affect them. A heavier tax burden in every point of that budget that came down — doesn't matter what part you look at, we see an increase in the taxes to rural Saskatchewan.

Mr. Minister, I have an article here —and I was surprised at all the articles that I find in the paper that you've put in. I assumed you to be a nice, quiet minister that didn't really go out and say things that he didn't mean. But, Mr. Minister, here we have another article in a paper and when you were questioned by an R.M. about the property tax assessment; and they said that, especially the farmers, this article goes, that when you were questioned, the individual says, "Especially farmers will be hit harder with school taxes, with one part of one municipality already assessed, while another remains unassessed, during the review that is taking years." This individual says, "People are confused and are not sure if equalized assessments are fair."

He said in the R.M. of St. Peter the school tax mill rate went up from 3.6 to 7.8 mills, under the new assessment. And your answer was, it says here, "Domotor agreed. Until the entire province is under the new assessment, the problem will remain looking like a dog's breakfast."

Well, Mr. Minister, I'm not sure it's the reassessment that's really the problem because if the R.M.s didn't have to increase their taxes, didn't require more money, they wouldn't need to increase that mill rate regardless of what the assessment was.

They could set the mill rate accordingly so the individual wouldn't have to pay any more than what he paid under the old assessment, although I don't disagree with the new assessment. However, if it continues to increase the mill rates, as this one reeve was saying, then I see where it's going to be another tax burden on the individuals, all the people of rural Saskatchewan.

Mr. Minister, some of the members are saying doom and gloom. The oil man from Saskatoon, doom and gloom. Well Mr. Minister, I don't look at this province as doom and gloom. There is no reason, in a wealthy province like we have in Saskatchewan, that we should have any doom and gloom in this province.

There is no reason why we should need increased taxes. There is no reason at all why we should be saying to the individuals of Saskatchewan that, you are going to have to pay more if you want some of the services that you've been used to.

Mr. Minister, we have a rich province. We have a province where the people could share some of those riches that we have, where they could share the benefits of our resources, and that's what we should be providing for the people of Saskatchewan. We should not be preaching doom and gloom. We should not have to experience doom and gloom as we are now, but we are experiencing it, Mr. Speaker.

Mr. Minister, I suppose the one question out of that last article that I would have is: year you going to provide enough funding for the R.M.s so they don't have to increase their mill rate under the new assessment? And why would it really affect the R.M.s, the reassessment, in your opinion? Should it affect the mill rate any, or is it because they are short of funds that they have to increase the mill rate, and under new assessment it gives them a little more room to do it in?

HON. MR. DOMOTOR: — Well, Mr. Chairman, I wrote down quite a few points that the member from the opposition raised, and there's about 12 of them altogether here, I guess.

Well, first of all in the property grant, he mentioned the loss to the farmers. The cost that it was initiated, with respect to operating the property improvement grant, cost the provincial government quite a bit of money, and as a result, by this we are going to have a net saving. Furthermore, with the amount of money that's been pumped into education — and you mentioned about the education part — well, I'd just like to refer back to 1978 or '77, somewhere in there, when the NDP were in control and in government. They were the ones that in those years reduced the amount of educational funding to the school divisions, and as a result it was in the 1985 budget that the increase in funding for education has been implemented, and the result of that should mean that the cost should be less to the ratepayers, and therefore the R.M.s will benefit by it, and the ratepayers in those communities will benefit.

Now the next part that you refer to is the fact that the possibility of the persons going ahead and paying their taxes. Well I happened to talk to one of the R.M.s, and he mentioned to me that last year at the end of December, they had about 21 individuals that hadn't paid their taxes. What the R.M. administrator did was phone the guys up, and most of them paid except for about two. So that was because of the administrator going ahead and referring back and phoning back to the individual ratepayers.

You mentioned something about your flat tax costing the farmer more money. Well as you know, a farmer has certain expenses; he deducts that off; and therefore it would be just on his net.

As far as the revenue sharing is concerned, I mentioned to the SARM convention that it was going to be zero, but I had indicated to them that they weren't going to get an increase in revenue sharing long before that. That was probably before Christmas, and around January, when we had the south-east meeting down in Regina, I had indicated to them that there

would be no increases, and they were quite willing to accept the no-increase funding because of the tight economic situation and the fact that the farmers had just come through a drought situation, and in the north-east, as you are quite aware, there was a flood situation there.

And the result of that, we kept it at zero. But I must remind the member also that we have also put an increase of \$2 million — that's above the revenue sharing — to help the R.M.s with respect to some of the difficult roads they have to maintain and upkeep. And those are the ones that you referred to a little later on with respect to the heavy traffic, and heavy gravel haul, and the oil, and the rail line abandonment roads.

As far as the mill rates affecting the R.M.s, we've increased and enhanced the maintenance which saved the R.M.s about two mills last year. And another thing that we increased was the fact that we are giving them maintenance for main farm access roads that they weren't able to get before. So that's given them increased funding.

As far as the road building is concerned, the revenue sharing is the same formula that's in place that you people had when you were in there. So some R.M.s will build and some don't. And I know. I travel up on the grid roads, because I like to take them, and I've gone over a lot of roads that are under construction and reconstruction. So don't tell me that there aren't any roads being built.

As far as the bankruptcies, there are no R.M.s in financial difficulty. They're all holding it at a very good level. If they were, we'd hear about it.

Now, as far as your deterioration to small towns, let me tell you one thing, that our government has done more for the rural communities than your government did in all your time when you were in power. The Minister of Small Business and Tourism has done an excellent job in getting community development out in those communities. Each small community now is working on them.

AN HON. MEMBER: — What new businesses are there?

HON. MR. DOMOTOR: — What new business? I'll tell you what new businesses. In 1982-83 when we got in, we've got two . . . (inaudible) . . . there, and I'm proud to say that they've been brought in here because of the change of attitude of government, because we are welcome businesses, and that's the part that's happened over there.

As far as your concern about the farm economy being out there, and with respect to ratepayers in municipalities, this government brought in a moratorium for farm land, and brought in loan guarantees that you didn't do. What about the times when you guys were in there? So that's something that this government has done.

The other concern that you had was the fact that you mention — and I would like to correct this — you said that by increasing money to help rebuild and maintenance for roads in an indication that we're in agreement with the CNR or CPR, that we're accommodating that, that they shouldn't have to keep those rail lines, branch lines alive. That is totally not right, because we are giving more money to those places, to those roads, and to that maintenance because those rail lines that were lost were lost when you guys were in power, not when we were. And it was under this administration and under the Progressive Conservative administration federally that put a stop to rail line abandonment. As far as the other concern — you've raised the issue about property tax assessment — well I'm quite willing to speak on that part because I would like to remind you that it was in 1976 when that assessment was brought in.

It wasn't brought in under our administration; it was brought in by the NDP administration and that is what's turned that whole thing upside-down, and now we have to go ahead and address the problem that you guys created.

AN HON. MEMBER: — What did you do about it? You made it worse.

HON. MR. DOMOTOR: — We did not make it worse. You are the ones that made it worse, because I'll tell you what. I'll tell you what.

You fellows are the ones that increased the assessment on the poor irrigators out there so that they couldn't operate. You're the fellows that put the increase on the assessment so that the guys with the lighter soil would have to pay higher taxes, not taking into consideration the extra costs.

MR. KOSKIE: — I would like to, Mr. Chairman, direct a question to the minister of rural affairs representing rural Saskatchewan. And what I can't understand is how you have the audacity to come into this legislature and say that you represent rural Saskatchewan when you saw in this last budget — and will you agree with these figures? — that in property improvement grants the farmer on each one lost \$375; he lost on the average about \$300 on the home quarter education rebate; that his income tax on the average, to the average citizen in this province, is going up \$200. That's \$875, and if he buys one piece of used equipment, \$2,000, 5 per cent of it — this is what the budget has taken out of rural Saskatchewan and every community in rural Saskatchewan.

I talked to the council in Leroy and they say they have about 1,000 taxpayers, 1,000 taxpayers in the municipality of Leroy and you've taken, from every one of those, \$1,000, and you sat by while this government and your Minister of Finance, in fact, raped the rural Saskatchewan.

That's what happened. You stood by and let this go on. And I want to say, the other thing, you say, oh, rural Saskatchewan, the municipalities are in great shape. I'll ask you to calculate what is the per capita debt of the taxpayer in every rural municipality because of the deficit that has been imposed by the inefficient operation of this government — \$2.4 billion of debt, that's what you have.

(1915)

And every citizen, every taxpayer, and every municipality has on their back the responsibility of that deficit. And you say you represent rural Saskatchewan and you're protecting it. You allowed to be taken from every farmer, in the toughest times that he's ever had. \$1,000 out of the pockets of every farmer, every farmer in Saskatchewan.

I'd like you to stand up and justify why you stood by and allowed \$1,000 to be plucked from every farmer in this province.

HON. MR. DOMOTOR: — Well the member talks about the rural Saskatchewan, how it's losing. Well I would just like to give you some figures here. The percentage increase from previous year with respect to rural municipalities, provincial municipal mill rate . . . (inaudible interjection) . . . And if you'd just listen for a second.

In 1981 or 1980 . . . I'll go back a little further. Let's go back to 1978 — a 6 per cent increase. And in '79, went up to 12 per cent. Now who was in government at the time of 1979? Then in 1980 it increased 3 per cent. And then 1981, the mill rate for the rural municipalities went up to 16 per cent. Who, may I ask, was in power at that time?

Then in 1982, it was down to 11 percent; 1983, down to 6 per cent; and now 1984, down to 4 per cent. So who, may I ask, may be representing rural Saskatchewan more?

MR. KOSKIE: — Well, Mr. Minister, obvious evasion. Will you agree that removing the property

average you took, in the removal of the home quarter education rebate, an approximate \$300? Will you agree that on the flat tax, so-called, that you took another \$200? And will you agree that many farmers buy second-hand trucks and vehicles, and that you've imposed yet another sales tax? Simple question. Will you agree with those statistics?

HON. MR. DOMOTOR: — We can't agree with those statistics. The flat tax has got nothing to do with Rural Development here. It has to do with what we have said. I mentioned that before, that the 1983 went down to 6 per cent, and '84 went down 4 per cent. So that has to do with mill rates in rural municipalities.

MR. KOSKIE: — Well, I think it has a lot to do, because do you know what I think? Explaining these figures and what has been taken from rural Saskatchewan, from every farmer, indicates what kind of a minister we have fighting for rural Saskatchewan.

You stood by while \$60 million were taken out of the farmers' pockets in Saskatchewan, and you won't even stand up and give a justification for it. I ask you here, if you represent rural Saskatchewan and the farmers of this province, be big enough, at least to say that you have fought not to take \$1,000 out of the pockets of each farmer. That's all we expect you to do.

So you failed, but you tried. The priorities of this government was to give it to the oil companies. They won. And the other priority was to give it to the banks, and they won. And the other priority was to give it to Pioneer Trust in a bail-out, and they got it.

But stand up at least, and be man enough to say that you fought for rural Saskatchewan and that you lost, and that you lost for every individual farmer in this Saskatchewan \$1,000 cash. One thousand dollars. Will you be man enough to stand up and admit that?

HON. MR. DOMOTOR: — Okay. You'd just like to talk about the maintenance? When we first got into government, and when we were talking to the R.M.s, they wanted the extra dollars for maintenance. They didn't get that before, and we gave that to them.

They wanted some extra assistance for those heavy road, heavy traffic roads, and that was \$2 million, and we accommodated there. And we always discussed this with the SARM convention, and with the executive. They also felt that it was an exorbitant cost of the PIG (property improvement grants) grants, by having to send it in, and then send it back. So we accommodated them there, also.

And another thing about the oil companies that you're talking about. There's \$44 million in surface rights given to farmers out there, so don't say that they're taking it from there and they aren't getting anything back.

MR. KOSKIE: — Mr. Minister, will you acknowledge the simple facts, that your government and your budget — and you represent rural Saskatchewan — that you lost for each individual farmer the property improvement grant? And will you agree that it's \$375? Will you agree that, on the average, the program that you put into effect, then you took it away this year, which on average is \$300?

And will you agree that the income tax has gone up, and on average it's \$200 per average taxpayer? And will you agree that you put a tax on used vehicles, and that could add up to anywhere from 200 to 500 to \$1,000?

What you have done, Mr. Minister, is stood by, demonstrated your weakness. And it's not hard to demonstrate because your participation is minimal in this House.

All I'm asking you is, will you own up to the fact that out of the pockets of every farmer in this province \$1,000 was taken? Will you agree with that, in respect to the property improvement

grant being taken away, in respect to the home quarter education tax rebate, in respect to the increase in income tax? Simple question.

HON. MR. DOMOTOR: — I can't agree with that, because I just have to look at the figures and the percentage increase when you were in a government. It was, in 1980, 3 per cent; 1981 went up to 16 per cent. And previous to that it was 6 per cent up to 12 per cent.

When we took over in 1982, it went down to 11 per cent; down, in '83, 6 per cent; down, in '84, 4 per cent. So that's a reduction. So don't tell me that the farmers are getting hard done by. They're getting an increase there.

MR. KOSKIE: — I'd like to ask the minister whether, representing rural Saskatchewan and the municipalities throughout this province, whether you as minister representing rural Saskatchewan, whether you had discussions with the municipalities; and whether you have any evidence that they asked to have the property improvement grant removed; that they, in fact, asked you to go along with the Minister of Finance in the removal of the home quarter education rebate; whether they asked you to have the finance minister increase their tax on used equipment; whether they asked you to increase the income tax.

I want to ask you, when you were going through the budgetary process, have you in fact gone to the municipalities, to the farmers of this province, and have you asked them, and are you going to say . . . I'd like you to get up and say whether you have discussed it with them and whether that was their recommendation.

HON. MR. DOMOTOR: — Well if you take a look at the report of Local Government Finance Commission, the SARM (Saskatchewan Association of Rural Municipalities) was on that commission and with the department and school trustees, and they recommended to reduce or take the property improvement grant off, and they were all together on the same wavelength.

MR. KOSKIE: — There was so much noise from the other side. Are you indicating that you can file or put forward some evidence, as a minister representing rural Saskatchewan, evidence to the fact that they asked you to have these eliminated and their taxes, in other words, increase to the farmers of this province?

HON. MR. DOMOTOR: — We meet with the executive of SARM every month. And what I'd like to say is that the SARM was on the Local Government Finance Commission. It was the Local Government Finance Commission that recommended doing away with the property improvement grant as is.

MR. KOSKIE: — Mr. Minister, when you became minister did you believe that you had, in view of the fact of your party promises during the last election, the right and the mandate to increase sales tax on used vehicles, when, as my colleague has indicated, that you said that you would remove sales tax completely — the 5 per cent — in the first term? And that's your ad. That's your ad that you put before the people of this province. And you said also that you would decrease — you would decrease income tax by 10 per cent. Did you, in fact, make those promises, Mr. Speaker, and would you indicate whether you think this budget is compliance with the promise you made?

HON. MR. DOMOTOR: — Well first of all, when you talk about taxes and you talk about the increases, well I don't agree with . . .

MR. CHAIRMAN: — Order, order, order! It is so much noise from both sides of the House that it's difficult to hear both sides. Order! I say there is so much noise from both sides of the House, I would ask members on both sides . . . (inaudible interjection) . . . Order. If you people don't want to keep order in here tonight, I can talk all night.

HON. MR. DOMOTOR: — Well first of all, with the flat tax — and he says it's increasing — as a matter of fact it's going to be reduced because the Minister of Finance put the 1 per cent flat tax to reduce the tax on the other side of the scale. So that will be decreasing on that side, and the flat tax will be taking over. And we'll be getting those that don't pay any income tax. And probably there might be a couple of members on the other side that haven't been paying their fair share might be paying it.

Now the next thing we'd like to talk about: rural Saskatchewan and what's going on out there. Well the education amount of grants there is going to help them — 57 per cent more ended up there in rural Saskatchewan, which you guys didn't. You guys reduced it.

Secondly, what did you do, when you were in power, for rural Saskatchewan? My hon. colleague, the Minister of Health, has done a tremendous job for Saskatchewan. And where is his concentration? In rural Saskatchewan, not just in the cities. He's going ahead and providing nursing homes out in rural Saskatchewan in the small towns so that people can live and stay in the communities that they grew up in, instead of having to move to some centralized city in some centralized bureaucracy.

MR. KOSKIE: — Mr. Minister . . . And I hope the television can see this. It says, "PC policies for good government." And I want the camera to get this. And here are . . . There's a picture of a fellow, and it's Louis Domotor, farmer, Humboldt. That's what it says. And you know what it says? Here are the promises for good government: reduce provincial income tax by 10 per cent. That's what it says, Mr. Minister,. That's under your ad. And it says, eliminate 5 per cent E&H tax over four years. Those are the promises you made. I'd like you to stand up, and whether you had a mandate to increase the taxes in the way that they have been on the farmers of this province.

HON. MR. DOMOTOR: — Well first of all, my dear friend, we never said we were going to carry out all these things within two years or three years. It said, term of government. And we're going to be around for about 10, 20 years and by that time it will all come to pass.

The next thing: I never saw in any ad campaign in 1971 that the NDP were going to take over a bunch of potash mines, but I saw that come about.

MR. KOSKIE: — And Mr. Minister, just in case you don't know even what your promises were, I'm going to read it again. And this is what it says: eliminate 5 per cent E&H tax over four years. You're in your fourth year. You're starting your fourth year. And what you have done is increase, increase the sales tax.

How is that consistent? And I want to ask you, Mr. Minister, how can you indicate that you're representing rural Saskatchewan, and allow the massive increase in taxes that have taken place? Every individual farmer in this province is going to be paying \$1,000 annually — \$1,000. So I ask you: justify. Will you in fact admit that farmers are going to lose 375, property improvement; \$300 under the home quarter reduction of education; and \$200 in respect to income tax?

HON. MR. DOMOTOR: — Well you mentioned about the 5 per cent on the E&H tax. Well what about when you guys took over? You increased the income tax by about 5 per cent or 10 per cent. Wasn't that an increase in taxation? So don't tell us that you've done anything specifically for the common working person there as far as decreasing taxes.

Furthermore, when we went ahead and campaigned on those programs, obviously we had thought at the time there was going to be piles and piles of money in here that you guys were bragging about your heritage. When we got into government, we didn't find that they were there. Where did you spend the money? You spent it buying potash mines, buying farm land, uranium mines, and the list goes on — and a lot of other luxury palaces. Now we have to go ahead and straighten that mess out that you guys left us.

(1930)

MR. KOSKIE: — What portion of the \$1.2 billion of debt that hangs over the people of this province, what single item that you can say, other than mismanagement, has attributed to that? One point two billion dollars you have put on the backs of the people of this province, and you have introduced the most massive increase in taxes in the history of this province. And you stood by as minister of rural Saskatchewan when the oil companies of this province, under your policies, under your government's policy, is getting unconscionable profits. And you sat by and allowed to be taken from every pocket of every farmer and every small-business man in rural Saskatchewan, \$1,000.

I tell you, you really have done a great job going along with the friends of the Tory party, Mr. Minister. But I ask you to stand up and deny that you have in fact eliminated those benefits to the farmers, from the pockets of the farmers of Saskatchewan. Stand up and be man enough to deny or admit. I've got the floor and I'll give it to you when I'm ready.

I'd ask you to indicate whether or not you have removed the 375 property improvement grant. Simple question.

And where were you when this was being done? Farmers needed that money at this time. And where were you when they took off the \$300 on the home quarter that you put on a year before? And where were you when they were increasing the sales tax? And where were you when they were increasing the income tax?

You stood by and watched the oil companies get unconscionable profits, while the farmers in distress are losing the benefits of some of the resource moneys that were being provided to them previously under our administration. You should be ashamed of yourself for the job that you have done in defending the farmers of this province.

HON. MR. DOMOTOR: — Those are just your figures, but we haven't completed our mandate yet, and there's many more things that are going to be done with in that particular time. Furthermore, where is the \$600 million that you guys spent in uranium mines that was lost out there? Had you used . . .

MR. CHAIRMAN: — Order, order, order. Order! I would ask the members to keep a little decorum in here. It's very hard . . . Order. Order! It's difficult to hear the questions and the answers, and it's difficult to keep up with the debate, if members on both sides of the House are going to make as much noise as they've been making.

HON. MR. DOMOTOR: — I would like to just add one other comment. As a former teacher, the member from Quill Lakes sat by when he was in opposition and let the amount of funding for the education drop from 57 per cent down to 52 per cent.

MR. ENGEL: — Thank you, Mr. Chairman. I have certain comments I'd like to direct to the minister in charge of rural affairs.

Mr. Minister, you seem to indicate that taxes went up. You read it from the page, and that this year they levelled out, only went up by 4 per cent. When you calculate . . . The Minister of Agriculture gave us a number that the average farm's about 1,000 acres. The average farmer in Saskatchewan, the 65,000 farms, could be divided up into about 1,000 acres a farm.

What would you estimate is the average mill rate across Saskatchewan? What would that come to? What would you say the average farmer pays in taxes? How much money is taken in through the municipal tax base across the province when you average the mill rate out? How much would you say it comes to on that basis, approximately, per farmer?

HON. MR. DOMOTOR: — Well, Mr. Chairman, it varies from 30 mills to 120 mills, depending on the assessment.

MR. ENGEL: — Well but if the assessment is at 30 mills, that would mean a quarter of land is assessed very high, and if the mill rate's at 100 mills, that means that land hasn't been reassessed and the assessment would be fairly low.

That's why I asked you what would you estimate, as minister, would be the average dollars that a farmer pays in taxes asked on about a thousand-acre farm. I'm using that number because the Minister of Agriculture says about 430 hectares. So on that basis, about 1,000 acres is an average-sized farm in Saskatchewan. How much would you say is the average that he'd pay on municipal taxes across the province? What would you estimate is that number?

HON. MR. DOMOTOR: — Well the average municipal mill rate is about 85.9. And as far as the average tax that a farmer would pay on 1,000 acres, it depends on the municipality he is in. It depends on the construction that they may have. It depends on the kind of programs they may have in place. It depends on the amount of revenue that's coming in. As you know, there are some that have revenue sharing from the potash mines, and so they have a little extra money; some that don't. Some have some oil in the areas and some don't. So it can vary from one end of the province to another end. So, roughly figuring, maybe somewhere around \$1,500.

MR. ENGEL: — I estimated it at 85 mills, that it would be close to that, \$1,500 a farmer. Now you said your mill rate, because of your good administration as minister in charge, you said that the farmers' tax went up about 4 per cent, because of a good administration, a good level. You argue that's about a 4 per cent increase, right? Is that what you said?

HON. MR. DOMOTOR: — That was the mill rate that . . . The mill rate actually kept on going down. You see, in 1981 it was 16 per cent; 1982 it went down to 11 per cent; in '83 it went down to 6 per cent; and in '84 it went down to 4 per cent.

MR. ENGEL: — The money that was raised by the assessment of the taxes, the total amount of money that was raised . . . because it looks like the mill rates go down. You know, my assessment on my land . . . And this is where I am wondering what kind of instructions are you giving the people that are doing the assessment on behalf of the municipality, because when the assessments were done before — and over the years you said that we implemented a program where the R.M. should be reassessed every so many years — and when the assessments were done before one farmer could compare his operation and say that, I've got this amount of land that's sandy and hilly and stony, and here's my flat, good, heavy-assessed land. When the reassessment took place, that all moved up across the board by a certain amount.

Now this year, the first time this year I visited municipalities in a number of places — went into visit them and listening to the appeals that are coming out. And that's the case on my own land, I've got some land. The lowest quarter I've got is assessed at \$2,800, on the old assessment. My highest quarter was assessed at \$4,400. On the reassessment that \$4,400 quarter didn't go to \$6,000, but my \$2,800 quarter went to 5.

If there's very little spread left on this new assessment . . . What bugs me is my land that produces twice as much, where I get twice as good a crop and costs me half as much to farm, has levelled out, and the land that costs me lots of money to farm, where I'm buying cultivator shovels and I'm repairing and I'm fixing because of the stony land — I got up and down hills which takes me more fuel; I gross less on it — you've brought that assessment way up. How do you explain that kind of logic? Why did the poor land go up more than the good land? I'd like to know.

HON. MR. DOMOTOR: — Well that's a darn good question because it's your administration that brought in that formula in 1976, and that's what they were using, was that formula. That's

the kind of formula that we have to straighten out because that's the part, that's exactly what's wrong with it. And who brought it in? Your administration. Now we have to change that.

And because of that, you've got so many R.M.s that were caught in the process and that new assessment, and so many on the old assessment. Now what we have to do is change that whole assessment back, the procedure back again, to grade it realistically. And that is exactly the formula that was instituted when you, when your government was in power in 1976. And that's when you brought that in. And now we have to straighten it out.

MR. ENGEL: — Mr. Minister, it's strange that '76, '77, '78, '79, '80, '81, '82, '83, '84, that wasn't a problem. All of a sudden this year, it's a big problem. What is the case that the last three years, what has impacted that formula? . . . (inaudible interjection) . . . You can blame it on '76.

I never had a R.M. in '77 come and tell me that was a bad formula when the reassessments took place. Have you done more R.M.s in the last year? What happened that they're starting to complain now if that formula hasn't been changed?

Mr. Minister, if that formula was impacting the poor land more than the good land, why didn't you have the guts to change it? You've had three years. You've had three years.

I don't think you're being fair trying to pass the buck on something that happened in '76, when in '76 and '77, '78, '79, '80, '81, they weren't complaining about it. I'd like to know.

And if they were, if they were, how come I haven't heard about it until this year? This is the first year that R.M.s across the country have been telling me that that's impacting. Have you done more this year than you've done before? It sounds great to blame it on something that happened three, four, five years ago, or even 11 years ago.

Mr. Minister, something is the matter with your staff, if you fired them all, that there's nobody there to change a formula or come up with a change, if it's impacting the poor farmer more than the wealth one.

HON. MR. DOMOTOR: — Well let's take a look at that assessment. First of all, the staff that were doing it are the staff that you people hired in the first place, and they're the ones that were working on it. So if there's something wrong, it must have been somewhere along in your hiring personnel in the first place.

Secondly, you have to take a look at how the assessment procedure was done. And you guys didn't go ahead and follow any one division at all when it was implemented. They did some in the North, they did some in the South, and they did some in the middle. What they did at the time, was when you're talking about '77, '78, and '79, they went ahead and reassessed the quarters, but they ended up putting in an equalization factor and brought it back to their level.

But in 1981 is when they started to unravel that and put it onto the new assessment. So in '82 when we got a hold of it, and '83, we just started to find ripples then. That's why we sent Lloyd, the member from Nipawin, to have these hearings which they did last year and last fall. And that's why the Minister of Urban Affairs had to send someone else to go ahead and have some consultation with the villages and the towns.

And what happened there? And we find out in some of those areas, because of that formula that you people introduced, people with their assessments went triple, four times. And therefore, they're paying four times the amount of tax. Now we have to go ahead and straighten that all out. And that's what we're working out at the present time. And it will be straightened out, and it will be to the benefit of the people out there, not to some government bureaucracy in here.

MR. ENGEL: — You know, I've never heard anything so far from realism in my life. Mr. Minister, that's the same kind of story you're telling us that you've only increased the tax by 4 per cent. By your very own admission tonight, you said the average tax a farmer pays is \$1,500. And he is slapped by this government, by a thousand-dollar bill. And you call that a 4 per cent increase. The farmers across Saskatchewan are saying you've almost doubled the tax they're paying — almost doubled.

If it would have been \$2,000, you'd have doubled it. But you've more than doubled it. You've more than doubled it, because the small farmer would go in and he'd pay his tax early. He'd go in and pay his tax early because he got these rebates. He got those rebates, and he usually got them well enough in time that they had a decent Christmas. What are they going to have this year, thanks to you? Some Santa Claus you are. Some Santa Claus you are, increasing this tax by \$1,000 when his total bill is only 1,500.

Mr. Minister, I haven't got words to express how serious that's impacting on small farmers, if you don't know the impact that \$1,000 increase has on a tax, when the farmer's only paying \$1,500 municipal tax.

SUMA and SARM agree that the education portion of their municipal tax base is too steep. It's too steep. So when you came out with the home quarter property rebate, that was great. The farmers thought, finally we're getting our share. One year, they were able to call for that.

This year, when I heard that they're going to do away with — when I heard your government is going to do away with it, Mr. Chairman, with this property improvement grant, I thought, well, that's going to be a tough political issue for me because they're going to go to work and they're going to take off not only the home quarter school tax, but right across the board. They're going to do like SUMA told them, and like SARM agrees, that the property portions of the tax to finance education is too heavy and too hard on the farmer for what he's getting out of it. And it's not a fair deal.

(1945)

So I was sure that you're going to come up with a thing that's going to ensure some support across Saskatchewan, and you're going to lift \$1,00 off everybody's tax, up to his first 1,000 bucks. And that would have been worthwhile. The farmers, during a time of a recession and a time of depression, would have appreciated \$1,000 knocked off their taxes when they go to pay it.

But what happened? What happened? On a \$1,500 tax bill, you take 1,000 bucks away from them. You take \$1,000 away. And Mr. Minister, I think that's the lowest blow you could deal to farmers, and this House isn't going to see another Tory for 50 years, like it was the last time.

HON. MR. DOMOTOR: — I don't know where the gentleman gets his figures of \$1,000 being taken, because the maximum property improvement grant you could get back was \$375 a farmer. It didn't matter how much taxes you paid or how much land you had, \$375 was the maximum.

MR. ENGEL: — Well, you got \$375. We finally got that agreement. My colleague, the member from Quill Lakes, tried to get you to agree to that.

Okay. Secondly, what about his home quarter school tax rebate? Do you believe that the funding of education . . . As the minister of municipal affairs and responsible for municipal affairs, do you agree that the funding for education should be broadly based on a tax assessment? Do you agree with that concept, or do you think that the farmer is paying a bigger share for his tax than, say, the doctor? Do you think that the professional, the doctor, the politician, whoever

education base tax like the municipal tax?

Do you agree that there should be some adjustment made on the education base of the tax? And that average 300, \$325 that the farmer was getting back on his home quarter, do you agree that that also was a rebate that the farmer could collect last year?

HON. MR. DOMOTOR: — Well that's exactly what this budget is addressing, because by the flat tax, it's getting that money, and it's getting it from those doctors and professionals that you're talking about. And that'll be returned there. And there's going to be an increase in the amount of education because there's going to be an increase to the funding for 57 per cent. And therefore, that means by the extra money given into education will reflect in the amount of money that they have to collect from the local ratepayers.

MR. ENGEL: — Do you agree that the farmer lost \$300 on average from his quarter school tax rebate?

HON. MR. DOMOTOR: — No.

MR. ENGEL: — Well what figure do you feel he had last year? How much was he getting last year on average?

HON. MR. DOMOTOR: — That's comparing apples and oranges. We're looking at the future. We have a new thrust, a new direction, and the final taxation will be less for the farmer, basically.

MR. ENGEL: — You're afraid to admit it. How much was he getting last year on his home quarter rebate? What did it come to when you base it on an average farm? Like you said, on 88 mills or 85 mills, how much was he getting back on his home quarter tax?

HON. MR. DOMOTOR: — It also cost \$2 million to administer it. Now we don't have to spend that \$2 million to administer that rebate, so that money is going to be funneled in the other direction which is going to provide more money into education, and therefore it's going to end up being reduction on the amount of mill rate that'll be affected for the individual farmer. And so he's going to benefit in the long term.

MR. ENGEL: — The \$2 million administration costs yielded how much money to the farmers? How much were they getting out of that? How much was the rebate? If it wasn't \$300 a farmer, how much was it?

HON. MR. DOMOTOR: — I couldn't tell you offhand how much the average farmer got back on that one because it would vary depending on the size of the farm and how much you'd get. So some would get maybe a little more; some would get a little less.

MR. ENGEL: — Mr. Minister, how many quarters could he get the refund on?

HON. MR. DOMOTOR: — It also depends on the assessment of the land.

MR. ENGEL: — No. The amount of quarters he got the rebate on didn't depend on the assessment, Mr. Minister. How many quarters did a farmer get on that is not variable.

HON. MR. DOMOTOR: — I didn't quite get the question.

MR. ENGEL: — Mr. Minister, everybody only has one home quarter, is the point I'm making. That's not variable — one quarter per farmer. Do you agree to that?

HON. MR. DOMOTOR: — Yes.

MR. KOSKIE: — Oh, now we're getting places. So the average assessment was 85 mills, you said? In education, likely a little higher than that. I think it's closer to 100 mills, average. And the average assessment is \$3,000. So 3,000 assessment is 300 bucks. Simple as that. So when we say \$300 for the home quarter, do you agree that that is awful close to average?

HON. MR. DOMOTOR: — All right. That home quarter tax rebate that you're talking about, we instituted that for a one-year term. We didn't go ahead and say we would do this for the next ad infinitum years.

MR. ENGEL: — When was that program announced? That it was only going to be one year.

HON. MR. DOMOTOR: — It was the last budget time when that was announced, and we didn't say we were going to continue with that program for year and year and year. It was just for that budget year.

When we have a budget brought in, and if it has to do with . . . It's just like you have an Opportunities '84 program, or any other program you might bring in. You may have that for that one-year term, and there's a cut-off date, and then after that it's a new program.

MR. ENGEL: — Mr. Minister, is the flat tax a one-year tax? Is the education tax increase on all vehicles a one-year tax?

HON. MR. DOMOTOR: — As far as collecting the finance and the Department of Finance, what they do, that's not under our jurisdiction. And how they're going to work on that flat tax, and where they're going to come from there, they're being looking at it over the next few years.

MR. ENGEL: — Mr. Minister, when that home quarter rebate was put in with so much fanfare, my understanding, my neighbours' understanding — and all the people except you — thought that that was something that was appreciating the fact that the school tax that was levied on the home quarter was putting an undue strain, undue strain on the farmer and on the landowner to pay. He was paying a larger portion of the education tax than his counterpart living in town.

I'm farming at Gravelbourg. I pay tax in Gravelbourg. My good friend, the two or three doctors in Gravelbourg earning \$150,000 a year on average — one of them lives in a rented house; one of them lives in his own house. Do you feel that they are paying the same share of education tax as I am on 10 quarters of land? That's a simple question.

When you decided to implement a new program, in saying that the tax, the land base, was paying too much of the education tax, you addressed a problem that was real. You addressed a problem that SUMA agrees with; you addressed a problem that SARM agrees with.

When you took that tax off, you left all the farmers out in the cold. You left every one of them out in the cold. So, in effect, in your own admission, you have now taken \$675 away from every farmer. And that is not stretching anybody's imagination that they're going to buy a used truck or a used car for their son or daughter, or even for themselves — even for themselves. And the increase in education tax, and the true taxes averages out to \$1,000 a farmer. A thousand dollars a farmer when he's only paying, on average, \$2,000 taxes. You doubled his tax load. And you sit by and you're trying to make arguments.

A good accountant that went through the flat tax process and looked at it and came and talked to me about it — we discussed it — he said on average, one percentage point on flat tax makes as much difference as 10 percentage points on income tax; impacts as much on the person that's \$25,000 and under. The impact is the same as a 10 per cent increase. You promised to decrease the tax. You yourself promised to decrease the income tax, the percentage we pay. Then you slap us with \$1,000 tax and you expect to see any one of your colleagues back here.

The last time the Tories were around it took 50 years for the people to forget. I can assure you that the young farmers out there, that are going to have to hang in there for more than 50 years to get their debts paid off, are going to remember what you did to them in this budget. Because when you double their tax on an election year, Mr. Minister, they're not going to forget.

If you've got any way before we vote on the final of these amendments, and can reinstitute a system where you can give every farmer \$1,000 back, you might have a chance. But other than that, you're gone, man. You're gone because you solely are responsible as minister in charge of rural affairs, and minister in charge in holding up that aspect of the farmer's tax.

Agriculture is responsible for a lot of things they haven't done. Agriculture minister is going to have to pay a big debt for what he hasn't done for the farmers, particularly in the drought areas. But nothing, nothing like the responsibility you carry.

And if you think you've made some improvements and if you think you've got something to show for it, there's an awful lot of municipal councils are coming to us. And we are busy. We are on the road because they're complaining, and they're complaining hard. They're complaining hard, Mr. Minister, and they've got good reason to complain when you double his taxes. And I'm giving you the advantage of a \$500 break because I'm saying the average tax is \$2,000, not \$1,500. And that's double. That's 100 per cent increase in one year. That's why my leader said that's the largest tax increase in Saskatchewan's history. And it's all on your shoulders, because you quietly sat by and let that smart minister outsmart all of you. He outsmarted the 23 of you. And you sat back and thought, it's great. He sold you on that: boy, we got a smart budget here. But the people are smarter than that. They can see when they've got a 100 per cent tax increase. One hundred per cent at your expense, Mr. Minister.

All the talk in the world tonight isn't going to give back that \$1,000 to the farmers when they need it the most. Never has the cost-price squeeze been on farmers like it is today. The great savior was going to be technology in this new variety of wheat the Minister of Agriculture is . . . (inaudible) . . . These soft wheats are going to be the answer. What's this headline in the paper today? The soft wheat market has gone soft. The soft wheat market's gone soft. Those are the headlines. Chicago's prices for soft wheat have never been lower. And he hung all his apples on that one tree.

And, Mr. Minister, the education tax was just the icing on the cake. It was that last straw that broke the camel's back. Sure, it's great for the guy that buys the Rolls Royce. My good doctor friend, in fact the guy that nominated me, drives a Rolls Royce. If he'd have bought it this year, if he'd have bought it this year, do you know how much money he'd have saved on a \$100,000 car by only having to pay the difference? Do you know how much money he'd have saved? And yet that guy nominated me because he said, those guys are doing fair for the average person. That's why a guy that drives a Rolls Royce nominated me. And, Mr. Minister, I'm proud of that because that's the kind of socialists that elect me down in my constituency and in my country because they know where it's at. You're a socialist by what you are here, not by what you are in your back pocket.

HON. MR. DOMOTOR: — Well if that was the case, with respect to the Rolls Royce, and I understand you drive a Cadillac, and that kind of thing, and you were so concerned . . . yes, and your plane. And you people are so concerned . . . (inaudible interjection) . . . Well, that's what I was led to understand. If you were so concerned about the average fellow . . . I didn't get any, when I was farming, I didn't get any special breaks when you guys were in government for number one.

For number two, when you say the doctors had 150,000 net; I know I talked to the doctors at Humboldt too, and they don't tell me they make 150,000 net. That's their gross. You've got to take off all their expenses on that, and the flat tax is the part that you're trying to get, and it's a new thrust.

And you mention about the policy. We're not engrained in any particular situation where we put ahead and go ahead and say, this is it and it doesn't matter, come hell or high water, that we have to go along this particular path.

If there's something better, we'll address it, and we'll end up putting something new in there and something better. And that's the flexibility that we have in this government. We aren't rigid in any particular way. We're looking at new ideas and those new ideas are the ones that are going to bring Saskatchewan to the forefront of all the provinces in Canada, led by this administration.

SOME HON. MEMBERS: Hear, hear!

MR. ENGEL: — Mr. Minister, you have a very, very good memory. You know how to forget. You know how to forget, but your forgetter is better.

You forgot that when you were farming before you got into politics, that you had purple gas. You forgot all about that. You forgot all about the fact that your leader took the purple gas away. Have you ever figured out what that cost you? Have you ever figured out on your farm how much you lost when you lost that six . . . Mr. Chairman, I'm hitting some sensitive notes here. The member from . . . Katzman has got her cranked up into 18 decibels. Katzman, the member from Rosthern.

MR. CHAIRMAN: — Order. I caution the member not to use personal names, but the constituency.

MR. ENGEL: — I thought I got it straight there. The member should be proud. I got a package one time sent to a Woodrow Brothers, Engel, Saskatchewan. So I made an error. I made an error on that. But you forgot you had purple gas, Mr. Minister. You forgot that that was \$65 million in the pockets of farmers and an advantage — \$65 million in purple gas.

You forgot your \$325 or \$375 home owner grant that you got. You forgot. You maybe don't need that. But you forgot the home owner grant.

You forgot the good roads you drove on where we paid as much as 85 per cent to the municipalities for building grid roads when they went over \$15,000 a mile. You forgot about the grid road program.

You forgot about the electricity you have on your farm, when you got power at your farm for 500 bucks no matter how far you lived from your neighbours. You forgot about revenue sharing and that made all the R.M.s happy about anew formula that was in place that was progressively minded.

Mr. Minister, before you took that seat, there were programs that were new and initiative and had some teeth and had some money in it. What have we got from you? We lost purple gas. We lost the home owner grant. We lost the property improvement grants. We lost all these advantages. And if you want to put power and you pay your own way . . .

Mr. Minister, you forgot about the folks back home. You, and your engrossment with making friends with the oil companies, and making sure they like what you're doing, forgot about the little guy that's a farmer. You forgot about the average individual. You plow in \$300 million a year to the oil companies over and above what they should be getting.

Three hundred million dollars would do each one of these programs. You could put \$65 million into 32 cents a gallon on gas. You could leave the home owner grants in place. You could have doubled the home quarter school tax and made it the home half rebate. And you'd have still had

money left over, with the \$300 million you gave to the oil companies. You'd have still had money left over.

And look how happy the 65,000 farmers would have been in this province because they would have had their share for once. For once they would have been recognized. But no, we've got to give it to the oil companies.

I don't know why the member for Saskatoon is so much more effective in cabinet than you are. He got it for his friends, but you didn't get it for your friends.

The Minister of Agriculture stood up in this House, and he said: boy, my farmer boys had a chance to work on an oil rig; we got a great thing going for us. Mr. Minister, there's not enough oil rigs around. There's not 65 million oil rigs around.

You have forgotten where the bread and butter comes from in this province. You forgot bread and butter issues. You forgot them.

And, Mr. Minister, when you say you can't remember what you had before you came here, I can and so can my neighbours. And they'll remember, they'll remember because a day of reckoning is going to come. You think you got by with this budget, but you didn't. A day of reckoning is going to come for you.

HON. MR. DOMOTOR: — Mr. Member, I agree there'll be a day of reckoning, and I think it's coming in that particular seat.

As far as the gas tax, we took the gas tax off. Farmers go ahead and drive cars too, and that tax is off. But I remember very full well when you guys use to play around with that gas tax. You'd put the purple gas on. When it came to an election, take the purple gas off before an election, and then after the election, you took it off again, and you didn't get any rebate. And that's the kind of thing that you guys use to play little games with.

You talked about the property grant and the home improvement grant. You guys were number one key players on that. You'd put it on, and then you'd take it off. You'd put it on; you'd take it off. I remember you filled it in; next year it was gone because the election wasn't around the corner. And that's exactly what happened.

As far as the grid road maintenance and the construction costs, that is still in place with the revenue sharing that was brought in actually under the Liberal administration before '71 and continued under your administration. As far as the oil companies that you talk about too, about my friend, my colleague, the Minister of Energy and Mines, he's getting more money from that industry that's going into the Consolidated Fund, that is helping all of Saskatchewan.

SOME HON. MEMBERS: Hear, hear!

MR. ENGEL: — Mr. Minister, you've got a few clowns clapping you. I would like any one of those guys who were clapping to stand up and tell me how many times purple gas went off and on. Purple tax was taken off by Ross Thatcher, and it stayed off. It stayed off until you got elected. And you decided to take the road gas tax off of cars, you decided to take the gas tax off of big vehicles, but purple gas never changed. And the farmers remember the day that you forgot them. They remember the day. They know when they go to the pumps today they're paying more than they ever did under an NDP government.

But the only thing they don't know is their roads. They don't know what to drive on. They don't know where to drive. There's no more short cuts. They're all pot-holes. And this province, this province has never seen the likes of a condition of roads like they have been. How come? How come nobody's buying road equipment any more? How come? You know, in other words, how many miles of grid roads are on for rebuilding this year compared . . . And compare that to the

years when we were in office to see the amount of miles that were being reconstructed and being rebuilt. How come that's way down?

How come the R.M.s are sparing and skimping on gravel and aren't spending money regravelling? They've cut every corner and every corner they could, and they've backed off here and they backed off there. They've reduced their services to a skeleton to try and maintain a mill rate that their farmers could afford because you took \$1,000 away from them. And these farmers are saying, our ratepayers have been assessed an additional \$1,000; we can't make up the difference; we got to stay pat.

And every municipal council I've ever talked to are telling me the same thing, and they're repeating it over and over again, saying, things are so tough since the Tories are in office that we can't do this. We can't rebuild our roads. They're wearing out on us, and if we leave them another year it's going to cost us more to rebuild.

And things are going backwards mighty fast, Mr. Minister. People can't wait for the day when your Premier's going to get up the courage to call an election.

HON. MR. DOMOTOR: — Well the average construction has been the same over the last seven years, and that hasn't changed any at all. And the program, as far as the reconstruction, we have enhanced reconstruction which you people took off when you were in administration.

And again to go back to that purple gas, that's on a rebate, and that was the thing that you took off. WE have no tax on gas, and that's the difference.

But as far as the construction of the rural municipalities, as far as the roads, that's the same average as they had seven years ago. Last year was a little . . . They had to shut off a little bit because of the early winter. And that's the only reason.

MR. LUSNEY: — Mr. Minister, we went through the last half hour or so with you denying or refusing to agree to the fact that the tax or the grants that you took off the farmers is really going to affect them. Somehow you're saying that they're going to save money by it.

Now, Mr. Minister, I wish you would explain to me how a farmer is going to save by the reduction in his property improvement rant or the elimination of it, the elimination in that home quarter grant. How is he going to save money by losing that amount on his taxes?

Use a small farmer, a very small farmer, a three-quarter farmer. He would get that average of about \$300 on his home quarter. He would then get the percentage of property improvement grant. That small farmer would probably save, on three quarters of land, anywhere from \$350 to \$500 in taxes. And mostly, I think, he would be saving a lot closer to the \$500. How is that a saving for that farmer to lose that amount of money now?

HON. MR. DOMOTOR: — Well, if education wouldn't have received the amount of money that it's going to get now, he'd probably have to pay that extra amount plus, into the system. Therefore by that extra money into education, therefore he's not going to have such a mill rate in that part, and therefore he's saving.

MR. LUSNEY: — Well, Mr. Minister, that hardly makes sense because what you're saying is you take the \$400 from him or 500 from him —you're going to put that into education and somehow he saved money. Well, that doesn't make much sense at all to any farmer. You tell that to a farmer;: that he's going to save money because you took it out of his pocket and put it into education, that somehow he saved money.

If he was going to save money, you should have left that in there, and you should have got the Minister of Education to put more money into education. That would've saved the farmer

money. But to take it out of his pocket and put it into education and say that somehow he's saving, it's totally ridiculous, Mr. Minister.

HON. MR. DOMOTOR: — Well, he had to pay for the cost of the administration of that program, and as I said before, by the increased money into education, if the increased money hadn't been put into education who's going to pick up the tab? The ratepayer or the farmer out there would have to pay the extra money.

But by giving that extra money into education, that means they don't have to raise that extra mill rate on it for the farmer, and therefore he's going to not have to pay that extra amount. Otherwise, you're just swapping money back and forth if we had to increase the money into that particular part. And therefore, we don't have to cost the administration of it, and you don't have to go with this rebate program.

MR. LUSNEY: — Well, Mr. Minister, again I don't know how you can say that to a farmer and expect him to believe it, because you took that money away from him and you're putting it somewhere else. Nobody's going to believe you're putting it in education, to begin with.

But you took it from him — you took it from him. What does that mean in the way of a mill rate increase that he lost? He lost quite a number of mills just by the money that you took away from him the way of grants. It's not a saving to him. It's costing him a lot of money. It's going to cost a small farmer another 300 to \$500 more. That's what it's actually costing him.

So how can you say that somehow he is saving money by you removing the home quarter grant and the property improvement grant that he used to receive?

HON. MR. DOMOTOR: — Again, as I mentioned before, by increasing the money to education, that means the school division would have more money in that area; and therefore, that would take care of having to raise that extra money through mill rate to the farmer. And as a result of that, because we took that money and put it into there, he shouldn't have to have an increase in his mill rate.

And the only reason that there might be an increase in the odd area may be they may be constructing a school, or they may have some extra-special personnel they'd have to hire for special services of some sort.

But basically, by putting that extra money in there, you're saving in the long term, and you don't have to go ahead and spend 2 million, or whatever it is — roughly a third of money into administration — to go ahead and write cheques back and forth.

MR. LUSNEY: — Mr. Minister, I see it's ridiculous to continue to belabour that point. But the farmer is not saving any money on that at all. Because, if we're going to be concerned about education, we shouldn't be taking that out of the farmer's pocket by removing the property improvement grant that they used to get. We should have gone to some of our resources and got that money from there, leave the property improvement grants with the individuals, the property taxpayers, and get the money out of oil, get it out of potash, get it out of uranium, get it out of our resources. Then it would have been a saving to those farmers.

But by taking it out of the farmer's pocket and out of the home owner's pocket, and saying that we're going to finance education that way, that is certainly no saving. It's a loss to that individual. That means extra taxes for that individual, because that's exactly what you did.

When you removed that property improvement grant, you increased his tax load by anywhere for a small farmer, from 300 to \$500. You increased his tax load. You didn't save him any money.

HON. MR. DOMOTOR: — Well we continue to disagree. I guess we're on the opposite side of

the fence on that, because we're looking to the future. We're looking at spending the money, and in those four major areas: and that is the agriculture, health, education, and employment. And by putting that money in there, it's going to benefit all of Saskatchewan.

MR. LUSNEY: — Mr. Minister, I believe in looking at a long-term and a long-range planning, and making sure that we can improve our educational system, we can improve the health system we have. But I don't think we should be doing it at the expense of the people of this province. This is why we've developed a resource base that should have been providing that funding for it. But when you're . . .

AN HON. MEMBER: — When you're giving oil away, the profits should be rolling in, all right.

MR. LUSNEY: — As my colleague says, when you're giving everything away, when you're giving our oil resources away, revenues and you're giving our potash revenues away, when you're giving all of that away, then certainly there's only one other place you can go to get that money if you're going to maintain any kind of education system or health system. And that's going into the pockets of the taxpayers. And that's exactly what you did in this budget, and that's exactly what the farmers are saying and they're going to make it clear to you that they don't appreciate having that money out of their pocket.

HON. MR. DOMOTOR: — Well again we have to disagree on that, because if you take a look at the increase in the costs and the amount of money that you people utilized when you purchased the potash, you purchased uranium, and you spent money on purchasing farm land, that was at the expense of the amount of funding that you had given into education in the first place, and as a result it ended up losing in that analysis.

Now had you not spent that \$600 million into uranium mines, that money would have been there to utilize elsewhere. As far as the education, again I reiterate that by putting that extra funding into there and by providing those extra moneys in there that the result will be that the farmer shouldn't have to experience that extra kind of costs that you're talking about.

(2015)

MR. LUSNEY: — Well I guess, Mr. Minister, we will continue to disagree, so we'll have to get off it. But there is no way the farmer, the home owner, is going to save money with the program that you're talking about. There's no way that they can possibly save money.

And it's no use talking about education, I guess, because we're not on Education estimates. But what the farmer is asked to do is to finance education. The home owner is asked to finance education now, when you remove the property improvement grants from them. That's what you've really asked them to do. Education was not in trouble three years ago. Their funding was adequate. All that had to be done as times changed and as the need was there was for the government to use our resource money, the oil money that you've given away, the potash money you've given away — use that money to fund education, to give them the additional funding that they needed.

That's what you should have done. But you haven't gone that route. You've given the money to the oil companies and you've told the farmer and the home owner that, we're going to take it out of you; you are going to have to finance it now. That's what you're doing, Mr. Minister, and I know we're going to continue to disagree on that. So it doesn't make much sense for us to continue to argue it.

I say you're wrong. I say you're taking it out of the individuals, and I'm sure that the taxpayers when they go to pay their taxes, are going to realize that you're taking it out of their pockets because their taxes aren't going down any. In fact they're going to find that they're going to be up quite a bit this year. So they're the ones that are going to have to finance all of those beautiful

programs you're talking about, your five-year programs. They're going to have to finance them and, Mr. Minister, I guess we can argue all night but we won't resolve that problem.

The fact is that you've told the farmers they are going to have to finance that, and the R.M.s are going to have to cut back services if they don't want to increase the tax rate any, or the mill rate any. They are going to have to cut back on some of the services because you don't have the money to provide them with extra funding. And that's basically what you're telling them, Mr. Minister.

HON. MR. DOMOTOR: — Well I'd just like to say that the R.M.s have constructed a lot of the roads, and we are continually given them the similar financing as they had before. But not only that, we have additional \$2 million that we are going to be addressing for the R.M.s for those places, for those kinds of roads that they have, heavy-haul roads. And that's more than what the previous administration did when they were in government.

MR. LUSNEY: — Just a short comment, Mr. Minister. It was the previous administration that built most of those roads that the R.M.s have today. Let's hope that they can continue to maintain them while this government's in power, and it will only be for another year or so.

Mr. Minister, I'd like to go . . . (inaudible interjection) . . . The Minister of Highways asks me why I'm laughing. Well I couldn't help but laugh because he was in the front row there, and when I looked at him I just couldn't help myself, so I'll have to continue to look at the Minister of Rural Development.

Mr. Minister, another article that you had in the paper here, or a report that was made regarding a statement you made, and it has to do with what might be looked at as the county system. And it says here, "Domotor asked the council to consider the concept of larger municipalities or counties. Larger rural governments with their own paid administration may be the way of the future, Domotor suggested, referring to a 200-page conference paper on the idea."

Mr. Minister, is this what you are proposing, that we should be going to the county system?

HON. MR. DOMOTOR: — Well I don't know what paper you're quoting from, but I can assure you that I have assured the rural municipalities and the association of the executive, and at several different district meetings, that there was no intention on this part of this government at any time to institute a county system. And that is a fact.

And you can ask the executive of SARM at any time, and they will reiterate the same thing, and that is that I've stated to them on several occasions, and I have total confidence that they know exactly what we are talking about because . . .

I may reiterate also one other thing: that we have a good relationship with the executive of SARM, with the rural municipal councils. And we have an open door policy that anytime they want to come and see us with any problem, that all they have to do is give us a phone call and we'll be glad to meet with them. I've been out to see them in their respective municipalities, and also they can come and see us at any time.

MR. LUSNEY: — Well, Mr. Minister I suppose one would have to say that the papers were not telling the truth here, or the reporter. I don't know if I would want to go that far, because I don't believe it. They would hardly fabricate a story like that or a comment like that. I think it would be something that you would have had to have suggested, or somebody from your government probably suggested, like many of the other things.

If you want to try out a new idea, and I'm not saying necessarily you . . . It's obvious that you maybe tried it out here, too. But other members of government, whenever they want to try out a new idea, sort of kick it out to the press and put it out to the public to see how it's going to be

accepted. And when it's not accepted, you do a complete turn and you say, no, never; we would never even consider it. You first suggest it; if it's accepted, you say that was a bright idea — we thought of it all along. But when it's not accepted, you reverse your position and you say that, no, we were not going to consider it.

Well, Mr. Minister, you're saying you're not. I suppose we'll have to take your word for it. You're saying you're not considering the county system. So I guess we'll leave it at that.

Mr. Minister, going back to another comment in the paper, since you are no longer considering the county system. Mr. Minister, you were asked another question and that's to do with . . . A reeve asked you about urban capital grant which the urban municipalities can use to purchase equipment and other things that they need for the R.M. And he also asked you at that point, why they can't get some kind of capital grant. And it appears that you said at that time, and it says here, "Domotor said the matter was discussed with the provincial cabinet on November 5th." It says that if the urban municipalities have a capital grant system, then local rural governments should also get a concession that includes financing R.M.s, or should include financing. R.M.s should have buildings and equipment replacement cost, too.

Now, Mr. Minister, are you saying that you agree that there should be some type of capital grant program for rural governments? Apparently you have stated on November 5th that this is what you felt should be the case. You haven't put it into your recent budget. Are you saying that this is something you are going to consider for the future, and why haven't you put it into the budget when you did mention to the R.M.s that it was a consideration, at least an opinion of yours, that that would be a good thing to do?

HON. MR. DOMOTOR: — Well first of all to answer the question about the county system like you just mentioned. One thing first of all, and that is that I've encouraged the municipalities to work together to co-operate, and to have intermunicipal co-operation. And that is either whether it was with one R.M. with another, or with an R.M. and a village, or an R.M. and a town, or an R.M. and a city, to work together because that's the best way that we can work to the betterment of the citizens and ratepayers in both municipalities.

Now, as far as the amalgamation, I would suggest that the R.M. — I think it's 344 — joined together and they, with three other municipalities, and I believe that was under your administration . . . The R.M. of 291 around Kindersley . . . I think there were four R.M.s there that joined. It wasn't under our administration. It was under your administration.

What I've told the R.M.s is that there will be no imposition of any county system unless they themselves wanted to implement something like that. And there's no way that this government would go ahead and tell any particular group that they have to join with anybody else. But our concern is to have municipalities work together co-operatively.

As a matter of fact, it seems to me there was a heavy hand placed before, under the previous administration, where they tried to form local maintenance areas. And it was under this administration that that forced local maintenance areas was taken off, and they could go ahead and do it voluntarily if they so wished.

Now the other part, as far as the financing and the capital grant structure that is being considered by the Local Government Finance Commission — and that was the purpose of that finance commission, to address the concerns that you raised. And that has to do with the funding, how the revenue sharing should be applied, and capital grants to cities, and to towns, and to municipalities in general. And that's when we expect a report, final report, from the Local Government Finance commission, and then it'll be addressed at that time.

MR. LUSNEY: — Well, Mr. Minister, that was something that we had agreed to . . . considered a long time ago, and had agree to three years ago, that should be implemented. I'm pleased to

hear you say that now you are considering going into the capital grant program, eventually. As long as it's not just so much talk, but eventually that we do see some action on it.

Mr. Minister, one other question that I have here on a problem concerning Yorkton and the York Lake area, the development around that area. It appears that there has been some concern in the Yorkton area regarding that development around York Lake, because of the pollution in the lake, and the fact that some of that is being dispersed into the aquifer that the Yorkton area is using for their water.

And, Mr. Minister, I was just wondering what your opinion is of it, or what your intentions are regarding that problem, and whether you intend to do anything with it, or if you talked to the council regarding those concerns. What has happened? Have you had any contact with them?

HON. MR. DOMOTOR: — Any development around York Lake will be subject to Department of Environment and Department of health standards. We have had contact with them, and we have talked to the council. And they are concerned, and of course Environment is concerned in that regard, and they'll be addressing those particular problems. But any future development has to take those two departments into consideration before they can make any other development — just like any other one.

MR. LUSNEY: — Mr. Minister, another statement you made here and one I'd like to ask your opinion on at this point, whether you still agree or disagree with it, and that's the announcement that you made regarding setting up community economic development corporation. Could you just tell me a little more about the corporation, when you're going to set it up, what it's supposed to do?

HON. MR. DOMOTOR: — That's premature. That was an idea that was thrown out. That's from the task force deliberations, and they haven't finalized their report. And when they finalize it, then we can take a look at it and see if it's feasible or not.

MR. LUSNEY: — What was it that you were thinking about when you came up with the idea? You apparently had something in mind because you did make some mention of it. What was your concept really that you had in mind that would help the R.M.s by coming up with a corporation, a development corporation?

HON. MR. DOMOTOR: — Well the idea of that was to entice or encourage economic development, and again the concept of intermunicipal co-operation — having different R.M.s and different communities and towns encouraging development in the area, whether it be an industry to come in there or whether it was processing plants or whatever. And that way that would help not only the community, but it would help the farmers in the area.

MR. LUSNEY: — Mr. Minister, when do you expect that the task force report will be completed and that you will be making it public?

HON. MR. DOMOTOR: — It'll probably be some time in the end of May. They're still working on the finalization and editing and that kind of thing. So we expect it somewhere in the end of May, beginning of June, somewhere in there probably.

MR. LUSNEY: — You will be making it public at that time, then, once you receive that report. Or is that just a report that you're working on for cabinet use?

HON. MR. DOMOTOR: — That'll be a report to myself, and then it'll be presented to cabinet, and then we'll go from there.

(2030)

MR. LUSNEY: — So if cabinet or someone else doesn't agree with it totally, the public may never be aware of what that report stated or what was proposed in it.

HON. MR. DOMOTOR: — I don't anticipate anything controversial in it, so I couldn't say at this time. I have an idea of what's going to be in there, but I haven't seen all the details. And once I see the details then I can make a comment from there.

Item 1 agreed to.

Item 2 agreed to.

Item 3

MR. LUSNEY: — Mr. Minister, just backing up a little . . . And I'm looking at . . . We went past item 2, but just a short question, if I could revert back to item 1, Mr. Minister, on the other expenses. I've noticed they've gone up. Could you just give me a little explanation of what the reason for the increase was?

HON. MR. DOMOTOR: — The increase in that was the printing of a grid road map.

Item 3 agreed to.

Item 4 agreed to.

Item 5

MR. LUSNEY: — Item 5, community planning, you've got another huge increase in other expenses. Could you give me an idea of what that increase is?

HON. MR. DOMOTOR: — That's the disposition of the rail line abandonments. It cost us to have the per diems for some of the people that are on the committees, and that's where that increase is.

MR. LUSNEY: — That's for the people on committees, you're talking about, that cost refers to.

HON. MR. DOMOTOR: — The committees that are in charge of disbanding the railways, they're paid per diem.

MR. LUSNEY: — Road services, I've noticed you've decreased the staff by a couple of people there, and you've also decreased the other expenses. Could you explain why? Are most of the bridges built that you don't need to build them anymore, or what's the reason there?

HON. MR. DOMOTOR: — It's just administrative costs. That's early retirement and streamlining of the department.

Item 5 agreed to.

Items 6 to 8 inclusive agreed to.

Item 9

MR. LUSNEY: — Item 9, Mr. Minister, you've got a decrease of about nine people in staff, and you've got a decrease also in the amount that's going to be spent on there. Did you close down some ferry service, or why the decrease in staff?

HON. MR. DOMOTOR: — We did not close down any ferry service. That's early retirement, a lot of those cases.

MR. LUSNEY: — So you haven't replaced those people when they retired. You just left the position vacant then.

HON. MR. DOMOTOR: — It's just within the personnel changes, that's what occurred there — within head office, personnel changes there.

Item 9 agreed to.

Item 10

MR. LUSNEY: — Thank you, Mr. Chairman. Mr. Minister, under item 10, I'm going to ask a question that I think I should have asked under item 1, but could you give me a breakdown of the staff, or you could send list over of the staff that you have, the amount that they get paid, the number of them in there? If you could send me that list over . . .

HON. MR. DOMOTOR: — Yes, I can send a list over.

Item 10 agreed to.

Items 11 and 12 agreed to.

Vote 43 agreed to.

SUPPLEMENTARY ESTIMATES 1986

CONSOLIDATED FUND BUDGETARY EXPENDITURE

RURAL DEVELOPMENT

Ordinary Expenditure – Vote 43

Item 1

MR. LUSNEY: — Mr. Minister, is this administration — 113 — is this some of the special warrants, or just what that is?

HON. MR. DOMOTOR: — That was a special warrant for the task force that we had in place.

MR. LUSNEY: — That's the task force regarding the study that you're having on community development corporation?

HON. MR. DOMOTOR: — That's the rural development task force that we announced last June, and that's the costs for . . . that's the special warrant for handling that.

Item 1 agreed to.

Item 2 agreed to.

Vote 43 agreed to.

SUPPLEMENTARY ESTIMATES 1985

CONSOLIDATED FUND BUDGETARY EXPENDITURE

RURAL DEVELOPMENT

Ordinary Expenditure – Vote 43

Item 1

MR. LUSNEY: — Could I just ask you, Mr. Chairman, what supplement did you say that was, '84-85?

MR. CHAIRMAN: — First, 1985.

MR. LUSNEY: — What? '86? Just a minute.

MR. CHAIRMAN: — We did the 1986 one first. We're in the 1985 supplement on page 6.

MR. LUSNEY: — Mr. Chairman, the one in '86, that's really not one we're voting on. Those are special warrants that would be incorporated into the regular estimates, aren't they?

MR. CHAIRMAN: — Yes, that's right.

Item 1 agreed to.

Vote 43 agreed to.

MR. CHAIRMAN: — I'd like to thank the minister and his officials.

HON. MR. DOMOTOR: — Mr. Chairman, I'd like to thank the officials for the co-operation and hard work that they've done in putting the estimates to the House. And I'd like to also thank the opposition for their find kind questions that they gave us.

MR. LUSNEY: — Mr. Chairman, I'd also like to join the minister in thanking his staff for coming down this evening and giving him the information that he didn't necessarily relate to us.

But I have to say, I'd like to thank the gentlemen anyway and thank the minister.

CONSOLIDATED FUND BUDGETARY EXPENDITURE

ENERGY AND MINES

Ordinary Expenditure – Vote 23

Item 1

MR. CHAIRMAN: — Will the minister introduce his officials?

HON. MR. SCHOENHALS: — Mr. Chairman, I'd like to introduce the officials from Energy and Mines that are with us this evening. On my immediate left is Bob Reid, the deputy minister; directly behind me is Wayne Brownlee, the assistant deputy minister of finance and administration; over on my right and back one is Les Beck, executive director of Geology and Mines; to my left and back one is Doug Patriquin, the assistant deputy minister, energy policy; my immediate right, Bruce Wilson, executive director, petroleum and Natural Gas; and two over is Jack McPhee, the manager of special projects. And as well, if we really get in trouble, at the back we have Dale Fletcher, the director of fiscal analysis, and Morris Hall and Phil Reeves, analysts for mineral policies.

And Mr. Chairman, if I might, I'd like to just take a few moments of the committee's time and speak in general terms on the goals of this government in promoting development of

Saskatchewan's mineral resources and the leadership role of the Department of Energy and Mines in pursuit of those goals.

Our overall strategy is based on a firm belief in the resource sector as an instrument of economic growth as well as a major source of government revenue. With this in mind, we have embarked on measures designed to stimulate resource development, to create jobs, to encourage investment, and to ensure that both short and long-term benefits are captured for the people of Saskatchewan.

The first step in this progress came in July of 1982 with the introduction of an oil industry recovery program, a series of measures designed to put the oil patch back to work. Since then, we have witnessed the most exciting growth in the history of the petroleum sector in Saskatchewan.

The one year royalty holiday on most wells has been directly responsible for record levels of activities. In 1983 a new drilling record was established, only to be surpassed by a full 61 per cent in 1984. So far in 1985 the drilling pace is running about 42 per cent ahead of last year. The drilling boom has created nearly 4,000 new oil industry jobs since 1982 and supported as many as four times that number in the form of indirect jobs.

The positive climate has encouraged substantial increases in oil production. Land sales are returning record bonus revenues to the province, and overall provincial revenues have grown by \$300 million as a result of the program.

(2045)

For the first time, in 1984-85, total oil revenues exceeded individual income tax as the largest source of income for the provincial treasury. Approximately \$727 million or nearly \$1 in every four of provincial revenue was paid by the oil industry. Due to the extraordinary efforts of the industry through exploration and development, the province recorded a net increase in reserves for 1983 for the first time in 15 years. Further increase was experienced in 1984.

The concept of royalty relief as an incentive to drill and reinvest has been an unqualified success in Saskatchewan and currently reviewing the program which is set to expire at the end of 1985. We have asked the industry for input and have indicated that a decision on our future course will be made public sometimes before summer. But clearly whichever policy arises from this review process, our desire to see the petroleum sector continue as a major economic force remains the same.

It is with a great deal of pride that I represented Saskatchewan in negotiations that led to the recent western accord. Successful conclusion of our discussions on May 26th in Vancouver not only spelled out a positive formula for the petroleum sector, but signalled a new era in the role of western Canada in confederation.

From the outset, all parties to the process shared a common objective. We said that a new energy policy for Canada must create an atmosphere in which the petroleum sector could act as an engine of economic growth. Here in Saskatchewan we had a model of the results to be achieved in an environment that encourages companies to do business and to reinvest. Armed with the success of our program, we entered the negotiations calling on the federal government to remove the obstacles that had been erected by the national energy program. Throughout that five month process, the producing provinces remained united in their desire to see these goals met.

And I'm pleased to report that the federal government took up the challenge and agreed with us. The corner-stone of the western accord is the stage removal of the petroleum and gas revenue tax, a discriminatory tax paid only by western resource production. As a tax on production rather

than profits, PGRT is also a direct infringement on provincial rights to collect royalties. Furthermore, the proceeds from it had tended to support activity outside western Canada through the PIP grants or the petroleum incentives program.

The immediate removal of PGRT and new production will have a tremendously positive impact on an industry already enjoying record activity in Saskatchewan. We anticipate an additional 350 wells to be drilled in 1985 and in subsequent years with \$100 million in new investment annually and hundreds of new jobs.

The second main thrust of the western accord is decontrol of oil prices effective June 1st of this year. Under decontrol, Canadian producers will be forced to be competitive, and the maze of artificial prices and taxes evident in the regulated system will end. Decontrol will make Canadian oil prices responsive to market forces and allow consumers to benefit when the world market is soft while still offering protection against rapid price increases.

Canadians know all too well that the only guarantee offered by the regulated system was that prices would rise, regardless of market conditions. The accord returns western Canadian provinces to a full partnership in confederation, and establishes a positive model for future federal-provincial relations. I am proud to have played a part in its wording.

In plotting our game plan for the future, a great deal of emphasis was placed on heavy oil — a vast, but often difficult to extract resource. A major component of our comprehensive strategy for heavy oil development is based on the concept of upgrading, and the two projects which we have initiated at Regain and Lloydminster are enhanced by the accord, through the elimination of PGRT. In addition to being major job creation projects, employing in excess of 6,000 workers during construction, the upgraders make sound economic sense for Saskatchewan, and for Canada in the long term.

Upgrading will provide a Canadian market for Saskatchewan's medium and heavy oil, thereby lessening our dependence on the U.S. market. If any one sector has tremendous growth potential in the near future, it is Saskatchewan's long-dormant natural gas industry. Despite a large pool of reserves, the industry has been stagnant for well over a decade, while the province imported two-thirds of its domestic needs from Alberta.

We are gradually moving to lessen this dependence by backing out of the Alberta contracts, and will reach two-thirds self-sufficiency by 1988. By backing out a rate of five bcf per year, we saved \$6 million in 1984, and gained \$1 million in royalties. That saving will double in 1985, and reach \$100 million over the five years ending in 1988.

In other sectors, we find, for example, that potash is still afflicted by low prices, even though 1984 was an excellent sales and production year for the industry. My department is currently finalizing revisions in the potash resource payment agreements, which will assist us in maintaining provincial revenues and provide incentives to support offshore market development and research and development.

Uranium prices are at record lows in 1985, with no particular sign of price or market upturn in the immediate future, an area where we have seen significant progress is activity in the search for base and precious metals. Exploration expenditures increased 16 per cent to \$10.2 million in 1984, with most of the activity concentrated on gold in the La Ronge belt.

The mineral industry recovery program, introduced in last year's budget, has encouraged this growth in activity. We are optimistic that one or more properties will be into production in the not too distant future.

Finally, we are concluding a process of legislative reform with the introduction of two new statutes to replace the current Mineral Resources Act. The Mineral Resources Act, 1985, and The

Crown Minerals Act will be introduced to more clearly, separate the province's legislative powers in non-renewable resource matters from its powers as the owner of mineral rights. The Mineral Resources Act also incorporates new provincial powers flowing from the constitutional change agreed to in 1982.

In summary, the resource strategy of this government is designed to maximize our potential in today's environment, and at the same time have our plans firmly in place for the future. Our accomplishments to date bear out the confidence we have placed in the resource sector as an engine of economic growth. And by being aggressive, we will ensure that those benefits are enjoyed for many years to come.

HON. MR. BLAKENEY: — Mr. Chairman, I won't attempt to deal with or rebut any of the items raised in the course of his opening remarks by the Minister of Mineral Resources. Objection could be taken to some of them; agreement could be registered with respect to others. And our general position will be indicated, I know, by the questions and comments which I make in the course of our consideration of these estimates.

I think it's worthwhile to note that these estimates come to us as part of a budget which contains the largest tax increase in the history of Saskatchewan, a tax increase which managed to extract a great deal of money from people who buy used cars, and people who have modest incomes and aren't able to use tax shelters like MURBs, and Frontier Oil shelters, and things like video and movie tax shelters.

It takes a good deal of money from people who have to pay . . . used to get the benefit of property tax rebates — ordinary householders, and farmers, and small-business men, and renters, and senior citizens — but takes virtually nothing from some people who can clearly afford it most — some people who are enjoying the prosperity referred to by the minister in his remarks.

There is no question that many of the people, who are participating in the oil industry and some who are participating in other resource industries, are doing very well. There's no doubt that there's a boom in oil profits. There's no doubt that the oil companies of Saskatchewan and of Canada, as a class, are making record profits. There's no doubt that their profits in 1984 are much higher than their profits in 1983 and that again higher than 1982, and there's no doubt also that the budget, which we have before us, will mean that their profits in 1984 will be even larger.

There are a goodly number of aspects of this which I think should be referred to. I will first turn to the revenues of the Heritage Fund which come from mineral resources. These, Mr. Chairman, are to be found on page 112 of the estimates, and I ask a few questions about them. The minister kindly supplied me with some information in advance which will save me from asking a great number of routine questions.

Some of the key figures are: oil revenue in this budget, \$654 million; oil revenue last year, \$628 million; an increase of about 4 per cent. If I read his figures right, if I understand what he is telling us, he says that oil production will increase by substantially more than 4 per cent. I hope that's right. It indicates that if oil production is increasing more than 4 per cent than oil revenues are increasing only 4 per cent, that average royalties are declining.

And my first question is: in the fiscal year — if you can give me that so that our figures will be comparable — the fiscal year 1985-1986, at what rates do you think oil production will take place as compared with 1984-1985? What rate of increase do you expect?

HON. MR. SCHOENHALS: — The blue book number last year was 63.7 million barrels. This year's number is 72.9 million, and if our calculator is working, that's a 14 per cent increase.

HON. MR. BLAKENEY: — Thank you, Mr. Minister. Do you expect that the volume of oil increased will increase by 14 per cent? Your figures clearly indicate that you expect the . . . I will

ask another question before I make this comment.

With respect to the volume of oil increasing by 14 per cent — up to something over 70 million barrels — what do you think the market value of that will be compared with the previous year?

HON. MR. SCHOENHALS: — We are estimating approximately a \$2 increase per barrel. I think it works out to about \$2.4 billion.

HON. MR. BLAKENEY: — And can you tell me what per cent that increase is over the previous year in the value of production?

HON. MR. SCHOENHALS: — Blue book over blue book somewhere at 21 per cent.

HON. MR. BLAKENEY: — So 21 per cent. Something of the order of 3 to \$400 million in increased value of production of oil of which you are going to get 25 million and the oil companies and others will get 350 million — would be a reasonable estimate? You are of the increment of . . . You are getting less than 10 cents on the dollar in increased oil royalty.

I think there's no question that if your figures are right, that that is a low estimate. I mean, in the sense that you are — to say that you're getting 10 cents on the dollar is to say that you're getting perhaps more than you are.

(2100)

HON. MR. SCHOENHALS: — I think, Mr. Chairman, there are a number of points to be made. In the blue book, if you look at "own source", we are, in fact, up \$60 million. That is where we tax land bids minus incentives, a \$60 million increase.

However, as you are aware, the most productive type of oil, in terms of return to the province, is in the old sector — old oil, and of course, we have a decline there. The new oil, however, in a relatively flat period is up from 63.9 million to 109.8.

I think it's important to note in assessing the royalty levels and whether, in fact, we are extracting the correct share or not, that the levels in effect today with old oil at 41 per cent and new oil at thirty-two and one-half per cent are, in fact, higher than the royalties that were in place in January of 1982, where old oil paid 38 per cent and new paid 27. And so I think the statement that the return to the province is not an effective return can be legitimately questioned.

HON. MR. BLAKENEY: — Mr. Chairman, and Mr. Minister, that's a little bit of comparing apples and oranges since the export tax, as you well know, was a major source of revenue when the domestic price of oil was low and the international price of oil was substantial, and that was simply our approximately 50 per cent of what we would have got had that oil been sold at world prices.

On the assumption that royalties were around the 50 per cent level, it didn't matter whether there was an export tax on or off, it didn't matter if the domestic price went up or down, we got about the same amount of money. And it came out of our oil. And the fact that some of it may be going now, because the domestic prices and the export prices are much closer, doesn't in any way suggest that you can deal out the export charge as a way of assessing whether or not we're getting a proper return on our oil.

In any case, Mr. Minister, as you know, much of that oil is essentially the same kind of oil being produced out of wells which were drilled 210 years ago. And if someone were getting \$15 a barrel for it and now gets \$30 a barrel, and has comparatively few additional expenses, the opportunity for a fair and substantial royalty is there since there is an enormous windfall profit as the international price of oil rises and as the producer gets closer and closer to the international price.

And I don't know whether you agree with the term "windfall profit," but I know you can't deny that the fact of profits. I know you don't deny that. I know you don't deny that the oil industry has been making larger and larger profits, and that there's every reason to believe they will make still larger profits.

I would bring a couple of figures, many are at your disposal, but I would refer to 1983 where it says, and these are for the '83 year: the five foreign-owned companies that dominate the industry — Imperial, Shell, Gulf, Texaco, and Suncor — reported operating profits of more than 1.12 billion for the year — that's 1983 — 28 per cent higher than the 1982 levels.

And then we go on to 1984, and we find basically that the same group of people show that . . . Twenty oil and gas companies posted a nine-month profit increase for the nine months of 1984 of 40 per cent ahead of the previous year — that is the 1983 year, which as I say was 28 per cent better than the 1982. You get 1982, which admittedly wasn't a great year, but you get 28 per cent on top of that and 40 per cent on top of that, and you're getting record profits.

And the suggestion that the oil industry is being hard done by and is not in a position to make some additional contribution to this budget — which as I say is imposing substantial taxes on a great number of other people in the community — is, I think, not justified by the hard facts.

We know that in 1985 — the year for which we are discussing this budget — there's every reason to believe that at least the majors are going to make a good deal more money. We have the new energy agreement which, if one can believe the press stories with respect to it, will produce an additional 1.3 billion to oil companies this year. And I will make an estimate that that will yield perhaps \$160 million to the oil industry in Saskatchewan in additional revenue.

And I will ask you to comment, firstly, on whether you think the 1.3 billion is a reasonable estimate of the additional profits to the oil industry across Canada, and whether 160 million is a reasonable estimate of the share those additional profits will accrue because of production in Saskatchewan. I think that's really quite a conservative — small "c" conservative — estimate of 160 million, but I ask you to comment on it.

HON. MR. SCHOENHALS: — Mr. Chairman, the argument that the Leader of the Opposition makes, and the examples he uses, is a very . . . probably good political argument. It's not a very good factual argument.

We agree that the oil that you're discussing, the oil produced by the majors, which is the old oil, can in fact bear higher royalties. In fact the level is 41 per cent on that oil.

When he discusses the profits made by the majors, it's important to point out that he's not really discussing the Saskatchewan oil scene as it exists today. In his time, in Saskatchewan, the majors drilled 40 per cent plus of the wells. Today they drill somewhere around 16 per cent. And I think that's a very, very important note to make — that when we discuss the oil industry in Saskatchewan, we're not talking about the Gulf's and the Esso's, we're talking about the over 400 new oil and gas companies that have started up in this province in the last three years.

Yes, there will be profit levels, western Canada wide, realized by the majors, by the oil industry somewhere of \$1.3 billion over the period of the new energy agreement. The purpose, of course, is to encourage, and in fact it will be monitored to make sure it happens — reinvestment to create jobs, and the Saskatchewan model is the perfect example of what we'd like to see happen in western Canada, on a western Canadian scene rather than strictly Saskatchewan.

On those royalties, those price increases, we will be taking 50 per cent in royalties on those price increases that come from that accord. When you add the corporate income tax, it's estimated

dollar in the price increases that flow back.

HON. MR. BLAKENEY: — Mr. Chairman, and Mr. Minister, I will come back to this, but as a parting shot before I move on, if you're expecting to get very much money out of Gulf and Shell there's going to be a massacre in their executive offices, because they have had almost as an article of faith that they didn't pay corporate income taxes, year in and year out. For 20 straight years some of those companies did not pay any corporate income taxes. And the likelihood of us getting any substantial amount of money from them is scant indeed. But I will have an opportunity to return to those.

I want to raise a few other issues of a relatively different nature, Mr. Chairman, and Mr. Minister, you talked about gold production, and I have here a clipping that dealt with gold production, and it's from some period late last year. And it talks about prospects for a gold mine in northern Saskatchewan are brightening, according to Phil Reeves, mineral policy advisor with the provincial Department of Energy and Mines. There could be a gold mine start up in the province as early as next year.

(2115)

It says there's just one currently — the province has one active gold mine operated by Flin Flon Mines. It's a few kilometres south of Creighton and just recently opened.

What is being said here is that we had one in production — Flin Flon Mines, and we're very hopeful of getting a second in production early in the year. Can you report on how we're doing with respect to getting the second mine in production?

HON. MR. SCHOENHALS: — Mr. Chairman, just to comment on the corporate income tax, I think the term was, "parting shot that was fired." That problem in taxing the major oil companies derived from the old tax system and the super depletion schemes that were in place. Those have been removed and all oil companies of the major nature are now taxable at some degree, and that degree is increasing. And as I indicated before, the return on the changes have derived from the western accord, as far as old oil production, will not be very great to the major companies.

Turning to the gold sector, should note first of all that Flin Flon Mines property at Creighton, which you alluded to, produced only for a short time. The company ran into problems of capital. It is suspended — production has been suspended there.

The second one that we anticipate, probably the most reasonable, is the Starrex property. We anticipate a decision will be announced very shortly on movement to production, and I think that one in that area will be a trigger for a number of others, and we anticipate seeing an announcement and activity leading to production in the very near future. Possibly later this year.

HON. MR. BLAKENEY: — Mr. Chairman, and Mr. Minister, is Starrex the property in which the Saskatchewan Mining Development Corporation has a substantial interest?

HON. MR. SCHOENHALS: — It's at Star Lake. Starrex and SMDC are the two companies.

HON. MR. BLAKENEY: — So that if we're to have a producing gold mine in the province, the most likely prospect is the one where in the Saskatchewan Mining Development Corporation will be a joint venture, or so it appears?

HON. MR. SCHOENHALS: — Yes. I think that that one is the furthest advanced, and will — I think it might be a safe bet that they will be the first to announce. There are several others in that immediate area in various stages of exploration and determination of the production decision, but here are at least three that I'm aware of that are moving along the path, so to speak.

HON. MR. BLAKENEY: — Mr. Chairman, and Mr. Minister, I — the question I now ask is not fully reasonable, and I understand that, but I ask: at what level of gold production, at what level of gold prices in dollars per ounce — U.S. dollars — do we think gold mines in that area can sustain production, and I know it will vary with each ore body, and that's why I say it's not fully reasonable, but generally speaking, what do we think we need up there? Is it 250, 300, 350, 350 U.S. an ounce, or what are we looking at?

HON. MR. SCHOENHALS: — It's my understanding that the Star Lake property is relatively high-grade. Could possibly be economical at \$250 U.S.

For the other ones that we're aware of where the grade may be lower, we'd probably require 300 to 300-plus in those areas.

HON. MR. BLAKENEY: — Mr. Chairman, and Mr. Minister, I would like to now ask a question with respect to Canadian uranium, and the export thereof to the United States. And I want to ask whether or not there have been any developments in the apparent moves last year, by interests in the United States, to limit the export of Canadian uranium to the United States, or perhaps to impede it is, perhaps, the better word.

The U.S. department of energy began to monitor uranium imports to determine whether they would injure domestic companies and threaten national security, and we know all the buzz words in the United States when somebody is cranking up a little bit of legal protection. And I'm wondering whether you can give us any report as to whether or not those movements appear to be continuing, or appear to have abated?

HON. MR. SCHOENHALS: — There is an annual report that is submitted to the administration in the United States that deals with the industry. The most recent annual report did not indicate any reason to apply restrictions. They felt that the depressed nature of their industry was due to market forces and that they would not accomplish anything. Consequently there was no recommendation for further measures such as were proposed by Domenici, and consequently we're exporting to the United States as usual.

HON. MR. BLAKENEY: — Thank you, Mr. Minister. I turn now to coal to ask one or two questions with respect to coal.

I would gather that in the year which has just passed, or in calendar '84 — we can calculate it either way — coal production would have been substantial because of its need for power generation. Can you give an estimate of what our likely coal production will be in either calendar 1985 or fiscal 85-86?

HON. MR. SCHOENHALS: — Coal production for the '85-86 fiscal year is estimated to be just over 9 million tonnes, 9.3.

HON. MR. BLAKENEY: — Thank you, Mr. Minister. Can you tell me how that compares with the immediately preceding year?

HON. MR. SCHOENHALS: — It's almost the identical. It's up slightly. The estimate for '84-85 was 9.1.

HON. MR. BLAKENEY: — Mr. Chairman, and Mr. Minister, are you aware of any sale of coal interests which were owned by the Crown in the right of Saskatchewan to anybody else during the year under review? I am not now talking about leases, but the title to the coal interests?

HON. MR. SCHOENHALS: — We're not aware, Mr. Chairman, or to the opposition, we're not aware of that information. We can certainly find it. We don't have it with us. I'm not sure we all understand the question that clearly. If it's important and you'd like to rephrase it or clarify it,

maybe we could probably end up saying we'll provide it, but . . .

HON. MR. BLAKENEY: — Well, Mr. Chairman, and Mr. Minister, I am trying to find out the nature of the transaction where in the Utility Coals, for example, at Estevan, but more particularly the Manalta operation at Coronach, just in effect the nature of the transaction. And I am . . . Obviously, it could be the sale of title to coal, just the mineral interests, the sort of thing which would be recorded at the land titles office. It could be the sale of a long-term lease or the transfer of a lease on coal.

I observe the report of the Crown management board which reports on loss on sale of coal reserves. Now coal reserves is a term which could be applied either equally to mineral title to coal, or some sort of leasehold interest in coal. And I am wondering whether . . . And since I don't know who it was owned by, whether it was owned by the Power Corporation or who, I direct it to you, and it may not be the right person.

HON. MR. SCHOENHALS: — Mr. Chairman, if it's a lease transfer, then you would be aware of it. We don't have that with us. One of our officials is on the way down. We will attempt to determine, and if, in fact, he has that information, we'll pass that on. If not, we'll provide it.

HON. MR. BLAKENEY: — Thank you, Mr. Minister. I wonder if you would. We're not going to finish tonight, so I will ask it again when we pick up again.

With respect to Saskatchewan coal, are there any markets which are appealing for coal for export beyond Saskatchewan? Thus, are we still selling coal to Ontario Hydro at Atikokan, or wherever, in north-western Ontario? And is there any indication of any other significant markets for Saskatchewan coal in any other market of which I'm not aware?

HON. MR. SCHOENHALS: — Mr. Chairman, our Ontario market, we are still servicing it. It stands at about historic levels. It has not increased or decreased perceptibly. There are no other markets on the horizon of significance for our coal in its present form.

(2130)

We are looking at beneficiation as a technique to see if increasing the BTU value per pound will provide us other markets. And there are some ongoing R&D processes in that area, but as of yet there's nothing to announce.

HON. MR. BLAKENEY: — Mr. Chairman, and Mr. Minister, some years ago officials of the government of Saskatchewan — I being one — used to have conversations from time to time with people talking about coal gasification. Mr. Gillespie and others used to talk about this. And there were at times proposals for the movement of coal sometimes to . . . It was sometimes thought to move it to Kalium, and there was going to be some sort of a coal gasification project. These were all in the most elementary, formative stages at that time. And I think they all presupposed of 40 or \$50 oil.

Has most of that work fallen by the wayside when it now appears that 40 or \$50 oil is a long way into the future?

HON. MR. SCHOENHALS: — Yes, the gasification or liquification concept is non-economic at this time. There are some ongoing discussion and work taking place on a Canada-Japan, or Saskatchewan-Japan agreement, attempting to see if there's some long-term benefits to that concept. And as I indicated, the other thrust is the beneficiation — I think I have it right — where they're reducing the volume of coal to get the same amount of heat. And those are going on.

Coal companies do come in and continue to look at some of our major industrial projects — Kalium for instance, Ipsco — as potential markets. Obviously, there are a lot of problems and

trade-offs to be dealt with if that were to be a realistic option.

HON. MR. BLAKENEY: — Mr. Chairman, and Mr. Minister, I want to ask a series of questions with respect to the . . . well I'll call the Husky Oil upgrader or — what do we call it? — the bi-provincial upgrader.

And I'm looking, really, for a status report on that. And I would like to refer to the memorandum of understanding dated June 10, 1984, between the Government of Saskatchewan and Husky Oil Operations Ltd., and ask you whether there have been any agreements signed since that time pursuant to that memorandum of understanding.

HON. MR. SCHOENHALS: — The only agreement that has been signed is a date extension, extending the period of time that Husky had to meet the requirements regarding partnership acquisition. Obviously a federal election and the negotiations leading up to the western accord interceded and played a role there, but here has not been anything signed as of this evening.

HON. MR. BLAKENEY: — Mr. Chairman, and Mr. Minister, with respect to the royalty provisions which apply to pre-upgrader start-up oil production from existing production, that is production which was presumably in production in June of 1984 — I'll assume that to be the case — the agreement states that such an existing production "is eligible for a rebate on royalties paid in excess of that which would be paid at a royalty rate of two-thirds of the existing royalty rates." Could you indicate whether that rebate is now payable? Is Husky eligible to get a rebate on production which they have produced . . . oil which they have produced between June of '84 and now? And have they got their rebate?

HON. MR. SCHOENHALS: — The answer is yes in terms of eligibility. Husky are now eligible for that rebate. The answer is no in terms of have they begun to receive it. They will not receive any rebate until April the 1st, 1986. They will receive the rebate at that time if all the conditions have been met and the agreements have been signed. And that rebate is fully refundable to the province of Saskatchewan if there is a no-go decision or no start-up at that time.

HON. MR. BLAKENEY: — Then the rebate is . . . the initial payment out of the rebate is conditional upon the signing of — I'll call it the definitive agreement, if that term is still being used. And if following the signing of the definitive agreement, something happens to make it . . . to abort the project, then you have a right . . . the Government of Saskatchewan has a right to get it back? Is that approximately the situation?

HON. MR. SCHOENHALS: — That's correct.

HON. MR. BLAKENEY: — Mr. Chairman, and Mr. Minister, I now refer to the pre-upgrader start-up production. And now I'm talking about new production, and this is stated to be a "10 per cent gross royalty lineally reduced for low productivity wells." And I won't bother quoting the formula here. With respect to that royalty rate: is that in any way conditional upon the signing of a definitive agreement or the proceeding with the upgrader project?

HON. MR. SCHOENHALS: — Mr. Chairman, the terms are the same.

HON. MR. BLAKENEY: — And there's also a royalty right here for EOR, enhanced oil recovery production, both as to existing production and as to new production. Is any reduction in the prevailing royalties similarly conditional upon the project proceeding?

HON. MR. SCHOENHALS: — The rates that we're discussing in terms of EOR are the same for all EOR projects. There's no concession there. The only difference would be that in a standard EOR project, the time at which the rate converts to 30 per cent is at the time that the project pays out.

On the EOR projects dedicated to the upgrader, the switch to 30 per cent level occurs at the time the upgrader project is paid out, so it's not directly related to the EOR project, and that's really the only difference.

HON. MR. BLAKENEY: — Mr. Chairman, and Mr. Minister, I now turn to the pricing provisions of the memorandum of agreement, and I will quote it and then ask the question.

It is expressly acknowledged by the parties that this Memorandum of Understanding is premised on the assumption that crude oil will receive the New Oil Reference Price effective from a date specified in the Definitive Agreement until the Upgrader Start-up Date.

Now, the upgrader was predicated upon a new oil reference price, which, presumably no longer exists — or is about to no longer exist.

I would take it that the market price, the likely market price, for heavy oil in, let's say — when does it cut in? I'll say January 1, '86 — is likely to be lower than the new oil reference price. Thus, the memorandum of understanding is premised on an assumption of a higher price for crude, for heavy crude, than is likely to be the case under the new regime, the western accord. What effect do you see this having on the proposed upgrader project?

HON. MR. SCHOENHALS: — Mr. Chairman, just to revert for one moment to the EOR royalty rates, there is one additional difference that I failed to give you in the Husky project. The EOR 5 per cent rate is phased in at 1 per cent every 18 months, rather than starting at 5, but the rates are the same.

As far as the price is concerned, when the project was negotiated, it was believed by the negotiators that the NORP would disappear at the end of 1986 at the latest.

Consequently — and I suppose it's safe to say it was never assumed it would get the premium price, and so — we don't see the move to world price in June of '85 as being significant to the project. Of course tied to that is the PGRT reduction which, if you will, would be an offset or at least is a positive factor in terms of the viability of the project. So the price change has very little effect on the project's future.

HON. MR. BLAKENEY: — Mr. Chairman, and Mr. Minister, I note that the memorandum assumes that when the upgrader starts up it will get world price for the synthetic crude. That was the assumption, and that presumably is still operative since everybody will get world price by that time, presumably, for all that kind of production.

(2145)

Speaking now not of the legal aspects, but of the economic aspects, what was the supposition about what the world price would likely to be at the time of start up and what is the current supposition as to the value of synthetic crude at the projected date of start up?

HON. MR. SCHOENHALS: — The first part of the question, I believe, was: will the Syncrude receive world price? I have to assume that's correct. The number that Husky is using now as its projected price, at the time of start-up for Syncrude, is \$43.28. We don't have the exact number at the time of the negotiations. That's probably down a dollar, a dollar and a half, somewhere in that area.

HON. MR. BLAKENEY: — So that you're telling me that the current financial projections for the bi-province upgrader are proceeding on the basis that the synthetic crude would be worth approximately \$43 Canadian? And admittedly that's a high-quality oil, but it seems like high-quality price, as well.

HON. MR. SCHOENHALS: — As I indicated, that is the price that Husky is projecting. At the present time, although we're monitoring the situation, we're not in disagreement with that. Remember, we're talking about prices sometime in late '88, 1989, somewhere in that area. That's the number that we're operating on.

HON. MR. BLAKENEY: — Mr. Chairman, and Mr. Minister, you will be aware of the taxation provision and that the memorandum is conditional on a satisfactory arrangement of the sharing of corporate income taxes between Alberta and Saskatchewan which will not leave the producing companies and presumably, the upgrader operator in an unfavourable position. Has that arrangement been arrived at with the province of Alberta?

HON. MR. SCHOENHALS: — No, that has not been arrived at. I think the feeling is, by the officials working on the definitive agreement, that that will not be a problem. It'll probably be one of the last things that are dealt with.

HON. MR. BLAKENEY: — Mr. Chairman, and Mr. Minister, I turn to the financing and the guaranteed provisions, and we got an aggregate of one-sixth of the capital costs and one-third of the capital costs of new field development. I wasn't aware that the province of Saskatchewan was likely to be called upon to guarantee very much of the capital cost of the field development, as opposed to the upgrader. The \$390 million maximum may, in fact, mean that it will not come to pass.

What is the commitment of the Government of Saskatchewan with respect to guaranteeing the capital costs of new field development as opposed to the upgrader itself?

HON. MR. SCHOENHALS: — We are in a position of guaranteeing and consequently gaining one-third of a cash flow on those designated lands. We put that element in because it was felt to provide security. I think reasonably so, and if the project went under that, that was a better security than whatever pots and kettles happen to be there. So that's the reason for it.

HON. MR. BLAKENEY: — Well, Mr. Chairman, and Mr. Minister, I would agree with that. The production of heavy oil is almost certain to be at least marginally economic. It may be a good deal more than that, but at least marginally economic. The upgrader, since it's a new technology — or will be a somewhat new technology — and it's an industrial operation, can run all the way from highly profitable to highly unprofitable. And that's the nature of new industrial ventures.

So that then you regard it as a protection rather than an additional obligation?

HON. MR. SCHOENHALS: — That's basically exactly right. We would have access to one-third of the cash flow. That loan will pay out very quickly. The cap prevents that from being a problem. And then having the security of the land, as you indicated in case of problem, is a comfort position for the province.

HON. MR. BLAKENEY: — I'd choose another word rather than comfort because that one's been around in the press a bit these days.

Saskatchewan reserves the right to approve participants other than Husky Oil operators and in the event that a guarantee is not provided for the benefit of other participant(s), the amount of the guarantee is to be adjusted.

Have you approved any other participants? Has Husky got any other partners? Have any shown up?

HON. MR. SCHOENHALS: — No. At this time Husky has no other partners, but it's not a major concern on our side. It's a feedstock concern, and it's more of an Alberta problem for Husky than

a Saskatchewan problem, but it's conceivable they may at some time come with somebody. At this time there's no one.

HON. MR. BLAKENEY: — Mr. Chairman, and Mr. Minister, you will be aware of the conditions at this end:

It's conditional upon the Government of Saskatchewan being satisfied within six months of the date of the Memorandum that adequate feedstock will be available for the Project . . .

The six months has now elapsed. Can you comment on whether or not the Government of Saskatchewan is satisfied?

HON. MR. SCHOENHALS: — That is the one extension that I referred to that has been changed since the memorandum of understanding agreed to, and the date is now November 1st. As I indicated, the intervening federal election, energy negotiations, and so on have made that almost impossible for Husky to deal with until just recently.

HON. MR. BLAKENEY: — Mr. Chairman, and Mr. Minister, you will be aware that:

It's conditional upon Husky providing the Government of Saskatchewan within six months of the Memorandum, a list of Project participants which is satisfactory to the Government of Saskatchewan.

And that six months is past, and can you tell me whether that list of participants has been provided?

HON. MR. SCHOENHALS: — That's basically the same point, and they've both been extended, November 1.

HON. MR. BLAKENEY: — Mr. Chairman, and Mr. Minister, the third point in this portion of the agreement is:

Satisfactory resolution of . . . environmental impact and the sharing of trucking privileges, industrial benefits, etc., etc. . . .

Dealing first with environmental impact, can you give some indication of what has transpired with respect to any environmental impact studies or like work on the environmental impact of an upgrader in the Lloydminster area?

HON. MR. SCHOENHALS: — It's my understanding that a preliminary environmental impact statement has been presented to the officials of the Department of the Environment. The technical committee are looking at it. It may go back for some reworking if there are deficiencies. It's my understanding that the Alberta and Canadian environmental folks will use the environmental impact statement or study that is done by Saskatchewan, and that will be the work that is done on that. I guess, the answer is, it's underway. It's well underway.

HON. MR. BLAKENEY: — Mr. Chairman, and Mr. Minister, you will be aware of the spate of stories around which have indicated that the financial structure of this particular upgrader project was under renegotiations, was about to be renegotiated. I have one here which says, "Husky seeking new upgrader pact". And there are lots of others indicating that the federal government is reconsidering or whatever.

With respect to this comment of "Husky seeking new upgrader pact", would you care to make a statement on where you believe the arrangement made between the governments of Alberta and Saskatchewan and the Government of Canada, under the Honourable Mr. Trudeau, whether

that deal is firm, or under renegotiation, or where it sits?

HON. MR. SCHOENHALS: — I suppose there are a couple of points to be made there. It's my opinion that the commitment of the new government is every bit as firm as the commitment of the previous government to this project. In fact, in the western accord, one of the clauses was that federally approved projects would not pay any PGRT on product used as feedstock or as an energy source. And in fact, Saskatchewan received a side letter indicating that both the upgrader projects were federally approved projects for that purpose. So I think that indicates that the commitment is real.

However, growing out of the accord are some changes that will have to be negotiated and worked at with the federal government. The changes in PGRT, the phased-out reduction, and no PGRT on new . . . production is obviously considerably different than the conditions on which Husky negotiated. And Mr. Chretien indicated that PGRT was something that could not be touched, and in its place offered a substantial — I believe, it was \$50 million grant — to the project. I would imagine that Miss Carney would want to look at the details of that, and I think that there'll be some meetings held. In fact, some meetings have been held in the last two or three weeks, and on Miss Carney's return from China, I'm sure there'll be some at the ministerial-Mr. Price level.

So I believe the commitment's there. I believe there's some details to be ironed out though.

The committee reported progress.

The Assembly adjourned at 10:02 p.m.