

LEGISLATIVE ASSEMBLY OF SASKATCHEWAN
May 22, 1985

The Assembly met at 2 p.m.

Prayers

ROUTINE PROCEEDINGS

INTRODUCTION OF GUESTS

HON. MRS. DUNCAN: — Thank you, Mr. Speaker. It is my pleasure today to introduce to you, and through you to the members of the legislature, a group of 40 grade 8 students comprising two classes from Sidney Street School in Maple Creek. They are accompanied by their teachers, Mrs. Linda Johnson and Mrs. Jean Lewis. The chaperons accompanying the children are Mrs. Sharlaine Dean, Mrs. Marlene Burton, and Mrs. Janet Hecker. Their able bus driver is Mr. Brent Mason.

I must say, Mr. Speaker, I am very pleased to have the students here today. I have been a member of the Assembly for seven years, and this is the first time I've had a group in from the town of Maple Creek. And I must say when I told my two boys this morning that a group was coming in from Maple Creek, we had a lively discussion as to whether or not they could miss school this afternoon, but mother won out.

I welcome the students. I hope they have a delightful stay in the Queen City and enjoy the proceedings this afternoon. I will be meeting you at 2:30, and I would ask all members to please join me in welcoming this great group.

HON. MEMBERS: Hear, hear!

MR. SVEINSON: — Mr. Speaker, I would like to introduce today 60 students, grade 4, 5, and 6 students from St. Mary's School in Regina, accompanied by Debbie Bresciani, their teacher, as well as Lorraine Harris, another teacher with the class, and Mrs. Sheldon and Mrs. Granatier, who are chaperoning the group.

I welcome you here this afternoon, and I'll see you after question period for drinks. Thank you very much for coming out. I would ask the rest of the Assembly to welcome these students.

HON. MEMBERS: Hear, hear!

ORAL QUESTIONS

Travel by Government Aides

HON. MR. BLAKENEY: — Mr. Speaker, I would like to direct a question to the Premier. It deals with last week's secret trip to London by his principal secretary, Mr. Tkachuk; his ad man, Spence Bozak; and his \$410-a-day political adviser, Terry Leier.

Their trip was so secret that many of the caucus, including, I gather, the finance minister and the minister in charge of Crown corporations, didn't even know it took place.

Can the Premier confirm that this five-day junket to London was made at our expense, and can he inform the Assembly and his finance minister what was the purpose of the trip?

HON. MR. DEVINE: — Mr. Speaker, the participation in Crown corporations that the public has the opportunity to do now in Saskatchewan is very popular. Saskoil bonds were sold out, I believe, in about 36 hours. The power bonds that we issued to the public of Saskatchewan were very popular. Much of the experimentation with respect to public participation in the whole area

of Crown corporations has taken place in Great Britain.

The recent public participation with respect to British Telecom is a typical example. We've had the success, I believe, of offering participation to people in Great Britain to something like \$5 billion, and it was very, very popular. As a result of that, we are examining the ways to allow people to publicly participate in Crown corporations in Saskatchewan.

I said when I got back from London that we are examining further avenues to have the public involved in Crown corporations because they like it. It is popular, and it's a source of investment. People can take their savings and invest in Saskatchewan. It helps create jobs. We don't have to borrow money from other places. They can invest here. It's a very positive economic activity. And when we're doing that, obviously we want to make sure that the public is aware of all the opportunities. We also have to make sure that we are doing it right, and the experience of Great Britain and other places gives us that opportunity to study.

HON. MR. BLAKENEY: — Mr. Speaker, supplementary to the Premier. The Premier has admitted that the purpose of the trip was to figure out ways to bring Prime Minister Thatcher's economic policies to Saskatchewan. We're perhaps about to see how companies owned by the taxpayers will be auctioned off at fire sale prices like our highway equipment was — \$40 million for 6 million.

Can the Premier explain why his government has been so bereft of ideas that it has decided to transplant Maggie Thatcherism to Saskatchewan?

HON. MR. DEVINE: — Well, Mr. Speaker, if we were going to transplant anybody, I would . . .

MR. SPEAKER: — Order, please.

HON. MR. DEVINE: — Mr. Speaker, we probably wouldn't transplant ideas from Mr. Mitterrand in France because he has been nationalizing all kinds of things, and obviously our party doesn't believe in nationalizing companies as does the NDP or the Government of France.

What our party believes in, and the public of Saskatchewan is very supportive, (and I'm sure my hon. colleagues know that the public is very supportive) of public participation in the Crown corporations. People like it, and these experiments have gone on in Great Britain. They've gone on in Great Britain, and they've been very successful.

Now if they're successful and offering Saskoil bonds or Sask Power bonds, and people want more of them, it seems to me to be a good idea for us to offer them. So we're looking at where they're successful; where they haven't been successful; and we're examining all these possibilities and where they work. And we bring them into Saskatchewan — people have said, look at — it's worked great; it's very, very successful. In fact, they want more. If you were to do a survey in Saskatchewan right now, they'd say, I would like more opportunity to invest in power bonds, Saskoil bonds, or potash bonds, or others.

HON. MR. BLAKENEY: — Supplementary, Mr. Speaker. Recalling that the successful policies of Maggie Thatcher have produced 3 million unemployment in Britain, have doubled unemployment rates since she became Prime Minister, and have incidentally reduced the Conservative Party to number three in the polls, would you advise us whether those are the policies — the doubling of unemployment — which you propose to transplant to Saskatchewan?

HON. MR. DEVINE: — Mr. Speaker, the Leader of the Opposition knows that the lowest unemployment in Canada is in the province of Saskatchewan, and we've been number one in terms of unemployment in '82 and '83 and '84, and forecasted to be number one in '85.

Now, Mr. Speaker, the other thing is when you look at job creation, he looks at Regina and he looks at Saskatoon, and if he compares them to any other city in western Canada, Regina and Saskatoon are the number one cities in new job creation in western Canada — in '82 and '83 and '84.

And, Mr. Speaker, at the same time, when they're introducing low unemployment in the province of Saskatchewan compared to all other provinces, people say, and I also would like to participate in Crown corporations.

HON. MR. BLAKENEY: — Final supplementary, Mr. Speaker. Mr. Premier, are you holding out to the people of Saskatchewan the privatization of the British Telecom as your model for privatizing Crown corporations in Saskatchewan?

HON. MR. DEVINE: — Mr. Speaker, I don't recall using the word "privatization." I used the word as it is designed in the province of Saskatchewan, which is public participation by families, by individuals, in the Crown corporations.

Mr. Speaker, the NDP would not let the people invest in Crown corporations. They would nationalize company after company after company and take them over, destroying the reputation across the international world in potash, in oil, in all kinds of things. And if you go into Europe today, they say, for Heaven's sake, don't let those people back in.

MR. SPEAKER: — Order, please. I'm going to ask the members to contain themselves a bit. It's so noisy that you can't hear the answers.

HON. MR. BLAKENEY: — One more supplementary, Mr. Speaker. Following that out . . .

MR. SPEAKER: — Order, please. Order, please. The member called for a final supplementary. If you have a new question, I'll take a new question.

HON. MR. BLAKENEY: — Mr. Speaker, new question to the Premier. Does the Premier deny that these group of five, including his \$410-a-day legal adviser, his ad adviser, and his principal secretary went to Britain to study a de-nationalization plan in order to apply it to Saskatchewan Crown corporations?

HON. MR. DEVINE: — Mr. Speaker, they went to Great Britain to study all the possibilities and public participation in Crown corporations. That's why they were there. And they talked to government officials, and they talked to private officials, and they talked to all kinds of other people and said, what made British Telecom, for example, what made it work in terms of having people be so interested and buy shares in it to participate and find out why it was so popular.

And if we can extend things like the shares or the bonds in Saskoil and the bonds in Sask Power, extend that in Saskatchewan so people are comfortable with it, in a Saskatchewan way, public participation, let's find out all the pros and cons and bring it back. That's exactly what I did when I was there.

When I returned, I said, yes, we're going to examine all the possibilities to participate in Crown corporations in Saskatchewan, maybe potash, maybe oil, maybe Sask Forest, maybe all kinds of it. And we are, and we're going to do it, and the people think it's a good idea.

SOME HON. MEMBERS: Hear, hear!

MR. KOSKIE: — Thank you, Mr. Speaker. A question to the Premier: I wonder if the Premier

could explain what official role was played during this five-day junket by one Spence Bozak, the head of the PC party's political advertising. Could you, in fact, indicate why the taxpayer is sending Spence Bozak and what his expertise is in evaluation of the Crown corporations of Greta Britain?

HON. MR. DEVINE: — Mr. Speaker, I'm sure that the hon. members will know that the advice given government departments with respect to advertising bonds, whether it's in Sask Power or Saskoil, has to be good advice so that they will be successful when the issues are offered to the public. Now they've been extremely successful so far. And the advice that we've received from people in the advertising business has been first-class. It works.

Well, Mr. Speaker, the first two offerings in the province of Saskatchewan worked very well, and the member from Quill Lakes, I'm sure, will have constituents . . . And we can go out into the Quills and say, "Did you participate? Or would you like to participate in Sask Power bonds, or Saskoil bonds?" And they would say, "Yes." They have been offered, and the information goes out to the public. We want the best information possible to offer these alternatives to the people in the province of Saskatchewan.

That's why we inform these people; that's why we send advertising people to find out how it's done so that we can inform them and we know exactly what to do, and what not to do, and make sure the Saskatchewan public is confident and comfortable with the offering as put forward by the Government of Saskatchewan.

MR. KOSKIE: — New question to the Premier, Mr. Speaker. Mr. Premier, can you explain why Dave Tkachuk and Spence Bozak would be sent on such a fact-finding mission as opposed to a consultant hired by Crown Management Board to study this very issue, or opposed to other officials of Crown Management Board? But you did here, Mr. Premier. You sent a political hack and an ad man, best known for selling Kentucky Fried Chicken, and a defeated Tory candidate, on this fact-finding mission?

MR. SPEAKER: — Order, please. Order. Order. I'm going to ask for order in the Chamber. We can't hear the question the member is asking.

MR. KOSKIE: — Thank you. Thank you, Mr. Speaker. I will go over this question again. I want to ask the Premier: can you explain why you would, you would send personnel of the creditability of a Dave Tkachuk and a Spence Bozak would be sent on this fact-finding mission, as opposed to competent officials of Crown Management Board? What you actually did was to send over a political hack, an ad man best known for selling Kentucky Fried Chicken, and a defeated Tory candidate on a fact-finding mission. I ask you, how can you justify sending such incompetents on a fact-finding mission and have the taxpayers pay for it?

HON. MR. DEVINE: — Mr. Speaker, the members of the opposition, the members of the opposition criticize my staff because they're the very staff that helped design the defeat of the NDP. And they lose . . .

MR. SPEAKER: — Order, please.

HON. MR. DEVINE: — Thank you, Mr. Speaker. The individuals . . . Take for example somebody that is marketing in the business world, Kentucky Fried Chicken. Has it been successful? Has it been successful? I asked a question. If you can bring competent people in from the private sector to help design bonds, whether it's with respect to power bonds, oil bonds, or all kinds of things, you want the best expertise that you can find. We have it; we use it; it's been very successful; and the people of Saskatchewan are saying so.

MR. LINGENFELTER: — Mr. Speaker, a question to the Premier. It has to do with another junket taken by his principal secretary, Dave Tkachuk who we asked last day or last week about a trip

that was taken to the Republican Party headquarters in Washington. I wonder if at this time, Mr. Premier, you can indicate whether or not that trip was taken at taxpayers' expense, and who went along with Mr. Tkachuk when he went down to visit the Republican Party in Washington?

HON. MR. DEVINE: — Mr. Speaker, I advised my hon. colleague that I would bring into the Assembly . . .

AN HON. MEMBER: — When?

HON. MR. DEVINE: — As soon as I have it . . . the information as to who was visited in the trip with respect to going to Ottawa, Toronto, Washington and return. I will also provide the information with respect to who was talked to, and the companies seen, and the government officials in London. I will bring all of that forward, and he can look at it all.

MR. LINGENFELTER: — I wonder — supplementary to the Premier — while you're at it whether or not you can bring back the individuals who travelled with Mr. Tkachuk, and namely whether or not a Ron Larson and Sean Quinlan were along, and whether they rode along on the jet at taxpayers' expense as well and went on this little trip down to Washington. Will you bring that back as well to the House?

HON. MR. DEVINE: — Well, Mr. Speaker, I'll be glad to provide the complete list of whoever went on the trip. And the trip was also to Ottawa and to Toronto to see people, and to Washington at the same time. They made a circuit. And I'll bring back who they talked to, who went, etc., etc.

MR. LINGENFELTER: — One other supplementary, Mr. Speaker. I wonder if the Premier could give us an indication of how long it would take his 104 staff that there were at least count in his office — how long will it take you to tabulate all the numbers that are involved and bring them back to the Assembly. Can you give us a date; will you do it tomorrow or Monday? How long do you think that will take to get that together?

HON. MR. DEVINE: — Mr. Speaker, I'll provide it in due course.

Printing of Budget

MR. SHILLINGTON: — Thank you very much, Mr. Speaker. My question is to the Premier, and, as with the other questions, it deals with the spendthrift manner in which you go through taxpayers' dollars. Yesterday in this Assembly, Mr. Premier, you reported that the government had spent nearly \$114,000 on printing the material for budget night. And you refused to provide any figures with respect to the cost of radio, television, and newspapers, which your government has been blowing away, apparently on the theory you claim that these figures wouldn't be available until after all the bills were in.

Is the Premier telling this Assembly that your cabinet approved this expenditure without having an estimate in advance as to what it was going to cost? That is what you were asked for some weeks ago.

HON. MR. DEVINE: — Well, Mr. Speaker, what I said is that the invoices with respect to the radio and/or televisions and/or with respect to newspapers will be coming in individually . . . (inaudible interjection) . . . Well then I'll provide that information when I get it and when they're received.

Obviously the hon. member knows that the complete budget can be attained when I look at my estimates. So I will provide the information as I receive it, or the best that I have it, for my estimates when they're up, and you can get that information. and when I receive the invoices, then you'll receive the information.

MR. SHILLINGTON: — New question, Mr. Premier, you were not asked for a detailed list of exactly what these things cost. What you were asked for was the estimated cost of the advertising at the time you approve it. I ask you, Mr. Premier, will you give us that information, or will you continue to stonewall, I assume because you're embarrassed about the cost of it?

HON. MR. DEVINE: — Mr. Speaker, I am not embarrassed about promoting Saskatchewan programs. Not at all. I am proud of the fact that we initiate programs for job creation and agriculture and education and health, and we tell people how to participate in those programs. And that takes some information, and that takes promotion.

I mean, people in this province are proud that Saskatchewan is the lowest unemployment in Canada, and there's a real reason for that. And they know how to get a hold of the programs to make sure we're the lowest unemployed. And we spend money to do that. And if you want to know how to participate in one program or another, or another, we provide that kind of information.

Now I will go back and check the record to find out if you asked for an estimate of what it was, or whether you asked for the cost of what it was. It seems to me, if I recall, you said what was the cost of the television, what was the cost of the radio. I said the receipts aren't in yet; the invoices aren't in yet, and when they're in, obviously I will deliver them. So I mean, I'll check on whether you want an estimate or whether you want the real cost.

MR. SHILLINGTON: — Mr. Premier, Mr. Premier, you are correct. It costs a great deal when you attempt the impossible, when you attempt . . .

MR. SPEAKER: — Order, please. The member is making a statement. If the member has a question I would ask him to get directly to it.

MR. SHILLINGTON: — New question, Mr. Premier. I would have thought it would have been apparent even to yourself that what we had asked for a couple of weeks after the budget was the estimated cost, and not the final cost. I would have thought that was apparent even to you.

My question, Mr. Premier, is: will you provide us forthwith with the estimated cost of the advertising? Because I can tell you, when we find out it cost \$114,000 to print that material for budget night, we and the public are very, very interested in what the total advertising bill for this budget is.

HON. MR. DEVINE: — Mr. Speaker, it will agree with my hon. friend that the public is very, very interested in the programs that were announced with respect to jobs and education and so forth. And we will be providing those packages of information to the public, as we should.

When you spend \$600 million on a five-year job creation program, you're right, the public is interested. And they want to know how they can participate in that. And we're going to spend money, taxpayers' dollars, informing the public of how they can participate in a job creation program; how they can participate in health programs, educational programs, social service programs, and so forth. Now I'll go back and I'll check the record, if you wanted an estimate, or you wanted the actual numbers . . . All right, if you wanted the actual numbers, I don't have them because I don't have the invoices yet. If you want an estimate, I'll go back and review it.

MR. SHILLINGTON: — Well just a simple question, Mr. Premier. Will you provide this Assembly, within the next day or so, estimated costs of the advertising program?

HON. MR. DEVINE: — Mr. Speaker, I will attempt to get estimates of the advertising program.

MR. SHILLINGTON: — Just one additional supplementary, Mr. Premier . . . I'm sorry. This is a new question, Mr. Speaker. Mr. Premier, are you telling us that you and your cabinet approved

this mammoth advertising program without seeing the estimates? Is that what you are telling us when you say that you don't know whether or not an estimate exists?

HON. MR. DEVINE: — No, not at all.

MR. SHILLINGTON: — Cabinet meeting when they were approved, you must know whether or not an estimate was present when these advertising costs were approved?

HON. MR. DEVINE: — Mr. Speaker, the hon. member wants me to recall the estimate by radio, and by television, and by newspaper on an advertising program. All right. He obviously knows that I don't carry that information with me. And now he's telling me he doesn't want the actual numbers. He changed his mind today. They want the estimate of the numbers. All right . . . (inaudible interjection) . . . Well it sounds to me as if you wanted the estimate, and before, if I recall, I believe the question was: no, they want the specific information. I don't have the specific information. I will deliver the specific information when I get the invoice, and I will attempt to get an estimate breakdown as quickly as possible for the hon. member.

Bankruptcy of Calgary Developer

HON. MR. BLAKENEY: — Mr. Speaker, I direct a question to the Premier, and it deals with the personal bankruptcy of a Calgary developer, one John Haibeck. And can the Premier confirm that Mr. Haibeck went into bankruptcy earlier this month owning more than \$3.6 million to Pioneer Trust and Canadian Pioneer Realty, and that his bankruptcy is one of the reasons why we are in this legislature discussing payments to the creditors of Pioneer Trust?

HON. MR. DEVINE: — Well Mr. Speaker, I have to take notice. I don't recall the name of the individual or the company.

HON. MR. BLAKENEY: — Supplementary, Mr. Speaker. When you are taking notice would you check to see whether this John Haibeck who went into bankruptcy owing the Pioneer group of companies something over \$3.6 million and having assets, I believe, declared assets of \$4,000, is the same Mr. Haibeck who was associated through one of his companies — I believe called Dover Park — with the construction of the court-house which your government is leasing?

HON. MR. DEVINE: — I'm not sure. I will take notice and find out.

Alleged Conflict of Interest — President of Sedco

MR. KOSKIE: — Yes, I want to direct a question to the Premier, and it deals with an apparent conflict of interest situation involving the president of Sedco (Saskatchewan Economic Development Corporation), one Doug Price. It has been drawn to our attention that Mr. Price has confirmed that he and a partner have purchased 50 per cent of the Frances Olson Realty Limited and that he will become a director of this real estate firm. Even worse, Mr. Price claims that this arrangement has been cleared with the minister responsible.

I'd like to ask the Premier: have you in fact investigated this questionable operation of one of the executive officers of Sedco? And whether you can report whether there is any apparent conflict of interest in respect to his private dealings.

HON. MR. DEVINE: — Mr. Speaker, Mr. Price is not in any conflict of interest position, and great care was taken to make sure that he wouldn't be. But I want to make the following observation, that Mr. Price has made arrangements to divest himself of his investment and the process is now under way because of the perceived possible conflict. He will not be investing and is proceeding to divest himself of all the interests in that particular operation.

MR. KOSKIE: — New question to the Premier. Mr. Premier, as you are aware, this same Doug

Price was the president of Pioneer Trust throughout the period when many of the questionable loans and investments were made which later led to the company's collapse. For some reason, when he was dumped by Pioneer Trust, you decided to hire him to head up Sedco. Last year, under his expertise leadership, Sedco lost \$8.8 million.

I'd like to ask the Premier: have you in fact delved into the qualifications of Mr. Price? Because the McDonald who took over Pioneer Trust said he was called in to clue up the mess that was left by one Mr. Price. And I want to know why are you pulling these characters out of Pioneer Trust, which ran up a \$28 million debt for the taxpayers of Saskatchewan, and putting them in your government offices.

HON. MR. DEVINE: — Well first of all, Mr. Speaker, if the members opposite don't want to support those that have savings in Pioneer Trust, let them say so clearly . . . (inaudible interjection) . . . All right, if they don't want to . . .

MR. SPEAKER: — Order, please. Order, order.

TABLING OF REPORTS

MR. SPEAKER: — Before orders of the day, I would like to lay on the Table the report of the chief electoral officer.

INTRODUCTION OF GUESTS

MR. ENGEL: — Mr. Speaker, it gives me a great deal of pleasure today to introduce a grade 4 class from Assiniboia. They've been regular visitors of this legislature: Mona Karst, their teacher; and Dale Adams is the bus driver; and there's 22 grade 4 young people. I'm looking forward to meeting with them at about 3 o'clock after their tour.

I wish that you'd use your good office to extend a welcome to these young people here today.

HON. MEMBERS: Hear, hear!

ORDERS OF THE DAY

GOVERNMENT ORDERS

ADJOURNED DEBATES

SECOND READINGS

The Assembly resumed the adjourned debate on the proposed motion by the Hon. Mr. Currie that Bill No. 54 — **An Act respecting Apprenticeship and Qualification for Certification in Certain Trades** be now read a second time.

MR. SHILLINGTON: — Thank you very much, Mr. Speaker. I want to make, in the absence of the minister, I gather, I want to make a couple of comments with respect to Bill 54. I may say, we may have more questions when the Bill actually comes before the committee.

The apprenticeship system is an old and a valuable system for learning and teaching a trade. Unlike some approaches which uses a more academic approach and which uses class-rooms and theoretical methods, the apprenticeship system means that you learn while you're working. It means the apprenticeship combines practical work-related training, under the guidance of experienced journeymen, with appropriate formal instruction.

It is important in some industrial trades and several construction trades. As I say, it pre-dates this

legislature, Mr. Speaker, by quite a distance. It is an old and valuable method of teaching people.

The greatest difficulties we have with the current apprenticeship program is that there are no jobs for people to learn on. The general approach that is taken is that new jobs are available to younger people. We now have a situation, Mr. Speaker, where jobs are in such short supply that the current jobs are being held by senior people who are not obviously apprentices, who are journeymen, or masters in some cases, and there was a real shortage of new jobs for the apprentices to take and learn in.

That is the most serious problems which we face today with respect to the apprenticeship program. The apprenticeship program depends and requires a supply of new jobs. Government having failed to create new jobs, the apprenticeship program exists without its very base, Mr. Speaker. The apprenticeship program depends upon people being able to find new jobs. This government has totally failed to provide those new jobs, and that makes the apprenticeship program very difficult to operate.

The minister has said he has consulted widely with employer and employee groups. We trust that he heeded the comments that were made to him.

Mr. Speaker, I will add in closing that we will not be opposing this Bill in second reading.

Motion agreed to, Bill read a second time and referred to a committee of the whole at the next sitting.

The Assembly resumed the adjourned debate on the proposed motion by the Hon. Mr. Rousseau that Bill No. 61 — **An Act to amend The Department of Revenue and Financial Services Act** be now read a second time.

HON. MR. BLAKENEY: — Mr. Speaker, I want to address a few comments with respect to this Bill 61, and I want to express some fairly serious criticisms with respect to the form of the Bill.

No one, I think, objects to what the Bill is trying to do. But certainly one can take strong objections to the proposals which are in the Bill for achieving the purposes set out in the Bill.

Basically the Bill is a redo of some other Bills with a very substantial increase in the powers of the collectors, the investigators, the people who can demand to see your books and enter your premises and generally conduct themselves in a vigorous way in order to collect taxes. Certainly there were powers in the previous Bills authorizing people to collect taxes, but there's a substantial extension of those powers in the Bill that's before us.

I would not quarrel overly with the extended powers which are given to collectors, tax collectors, to pursue people who may owe money to the Crown; that's one thing. But it seems unreasonable to give extensive powers to investigators and inspectors, powers to go after the property of people who don't owe a dime to the Crown, and nobody claims they do. And that's what this Bill does.

It seems clear that if someone distrains for rent on a merchant, it will not be possible to dispose of them — and this is another point I make. But if someone distrains for rent, someone, a landlord, goes in and a company in rented premises is going bankrupt, the landlord goes in and seizes the furniture in order to secure his rent, this Bill, for the first time, says that he can't sell that, the goods that he seized, until he gets a certificate from the minister's department saying that there aren't any taxes owing. That's a different sort of power which wasn't in the previous legislation. And clearly I don't see any reason why the creditors of someone who owes money to the Crown should be hung up in pursuing their remedy simply because the debtor who owes them money also owes money to the Crown.

Then there are provisions in the offences and penalties section which at least ought to be looked at, and at least ought to be looked at with some care. Here it's provided that the minister or anybody authorized by the minister may require a taxpayer to give him all reasonable assistance with his audit or inspection. Fair enough. Such a person may make inquiries in writing or orally. And it seems to me, and this may not be a proper interpretation, that the person to whom the inquiries are directed is required to answer them.

And there's a further provision that if you fail to do something which the Act requires you to do, you're subject to a penalty.

Now here we have the situation where a citizen may be charged with evading a series of taxes, but let's say The Education and Health Tax Act, because this Bill will cover several sets of taxes. He may be about to be charged, and it appears to me that the Act says that the inspectors — the minister's inspectors — can go in, give him a set of questions in writing, he is to answer them, and if he doesn't he's subject to penalties.

Now it's true that the minister is required to give him some sort of a warning if the minister's going to charge him, but I don't see clearly that the citizen is not subject to the penalties for failing to answer the questions even though he's about to be charged.

I think the minister should enlighten the House when we get to committee, or if he wishes, when he closes debate. It's far from clear that the ordinary protection against self-incrimination is included in this Bill.

There is a further provision. It seems clear that this power of the minister to demand information from any and all persons includes not only people who the minister feels may owe the Crown tax, but anybody else — auditors, many other people, and not only auditors who may be dealing with the taxpayer, but suppliers.

Suppose I am in the wholesale business and I supply money to a . . . supply goods to a retailer, and the minister feels that the retailer is not paying his proper amount of tax. Then this Bill gives the minister power to require the wholesaler to give him information. And if the wholesaler doesn't give him information, then that wholesaler is subject to the penalties of the Act. These are new powers and they seem to me arbitrary. They haven't been necessary before and I don't see why they are now needed. The minister hasn't made a case for them.

We all know that it has been traditional to give the tax collector quite broad powers, and we accept that, reluctantly. But the taxpayer already has broad powers in the Acts which are being gathered up in this one Act. I think the powers that they had were enough. I haven't found instances, and the minister hasn't outlined instances, where the Crown has lost any large amount of money because they didn't have the additional powers that the minister is giving himself by this Bill.

Accordingly, I think we ought to look at this Bill to see whether the minister needs all the powers which he is asking us to give him, and I think the minister ought to explain in detail why he needs these additional powers.

I will, accordingly, by opposing the Bill on second reading because of the principles which it contains which I think are inappropriate, and I will be waiting for explanations from the minister, either when he closes the debate, or more likely, since my points were fairly detailed, when the Bill is considered in committee of the whole.

Motion agreed to, Bill read a second time and referred to a committee of the whole at the next sitting.

The Assembly resumed the adjourned debate on the proposed motion by the Hon. Mr.

Rousseau that Bill No. 62 — **An Act respecting the Consequential Amendments resulting from the enactment of The Department of Revenue and Financial Services Amendment Act, 1985** be now read a second time.

Motion agreed to, Bill read a second time and referred to a committee of the whole at the next sitting.

(1445)

The Assembly resumed the adjourned debate on the proposed motion by the Hon. Mr. Embury that Bill No. 63 — **An Act to amend The Municipal Revenue Sharing Act** be now read a second time.

HON. MR. BLAKENEY: — Mr. Speaker, I would like to say a few words about this Bill and would then like to adjourn the debate because there are one or two aspects, even of this small Bill, which I would like to consider further.

But this Bill seems to me to effectively wipe out the revenue sharing. Revenue sharing was an idea which involved the Crown taking some of its revenues, its income taxes, and its corporation taxes, and its sales taxes, and at one time its petroleum fuel tax, and giving to the municipalities a given amount of it pursuant to a formula which involved the municipalities being able to predict that, if the tax yield went up a given amount, their revenue would go up a given amount, the revenue pool would go up a given amount, and this revenue pool would be distributed among the municipalities concerned by another formula which would depend upon population.

And there were a number of elements to it. There was a per capita figure and a further element depending upon taxable capacity. But it will be seen, Mr. Speaker, that the amounts payable to the municipality varied depending upon the amount of money that the Crown received from these tax heads and the population of the municipality and its taxing capacity.

All of these have been set aside by this Bill. All of those indices, all of those elements in the formula, have been set aside, and it now says: never mind about what the Crown takes in; never mind about what your population is; never mind about what your taxing capacity is, you're going to get the same money next year as you got last year.

It will not matter if you are one of the towns whose population is growing rapidly — let's say the town of Battleford — you will not get any more money. It will not matter if you are one of those towns where a major industry has closed down and, accordingly, the taxing capacity has dropped. Because you lost taxing capacity, you still will not get any more money.

All of these seem to me to take away the basic idea of revenue sharing. I think this is a retrograde step. There are several aspects of the matter that I would like to further consider, and I beg leave to adjourn the debate.

Debate adjourned.

The Assembly resumed the adjourned debate on the proposed motion by the Hon. Mr. Schoenhals that Bill No. 64 — **An Act respecting the Exploration for and the Development, Conservative and Management of Mineral Resources** be now read a second time.

Motion agreed to, Bill read a second time and referred to a committee of the whole at the next sitting.

The Assembly resumed the adjourned debate on the proposed motion by the Hon. Mr. Schoenhals that Bill No. 65 — **An Act respecting Crown Minerals and Crown Mineral Lands** be now read a second time.

HON. MR. BLAKENEY: — Mr. Speaker, I could have risen on the last Bill. I rise on this one. There are one or two small aspects of each of these two Bills, and perhaps the one which follows — the consequential Bill — which I will wish to raise. They are more conveniently raised in committee.

I do not wish to delay the House since they are essentially questions of the application of the Bills. I agree with the principles involved. I agree with the idea of splitting the Crown minerals section from the regulation of private minerals section. I think that it does make it easier for the citizen and for the department. It may be wise from a purely legal point of view. It follows, I think, more simply from the constitutional changes which have been made.

There are a couple of minor changes dealing with the doing away with orders in council and having ministerial orders. These are not matters of principle that I would wish to detain the House with, and accordingly I will be supporting the Bill.

Motion agreed to, Bill read a second time and referred to a committee of the whole at the next sitting.

The Assembly resumed the adjourned debate on the proposed motion by the Hon. Mr. Schoenhals that Bill No. 66 — **An Act respecting the Consequential Amendments resulting from the enactment of The Crown Minerals Act and The Mineral Resources Act, 1985** be now read a second time.

Motion agreed to, Bill read a second time and referred to a committee of the whole at the next sitting.

The Assembly resumed the adjourned debate on the proposed motion by the Hon. Mr. Garner that Bill No. 68 — **An Act to amend The Vehicles Act, 1983 (No. 2)** be now read a second time.

MR. LINGENFELTER: — Mr. Speaker, with leave of the Assembly, my colleague from Pelly is not present in the Assembly right at the moment and has some words that he would like to add to the debate, and I would beg leave to adjourn the debate for that reason.

Debate adjourned.

The Assembly resumed the adjourned debate on the proposed motion by the Hon. Mr. Rousseau that Bill No. 67 — **An Act to amend The Motor Dealers Act** be now read a second time.

Motion agreed to, Bill read a second time and referred to a committee of the whole at the next sitting.

The Assembly resumed the adjourned debate on the proposed motion by the Hon. Mr. Embury that Bill No. 72 — **An Act respecting the provision of Financial and Other Assistance to Urban Municipalities and Hamlets for Capital Works Projects** be now read a second time.

MR. SHILLINGTON: — Mr. Speaker, I'm going to, at the conclusion of a few brief remarks, ask that this matter be adjourned. To put it mildly, the world is not as it was portrayed to us by the Minister of Urban Affairs.

Some three to four weeks ago I asked the Minister of Urban Affairs a series of questions in question period with respect to the provincial budget and the adverse effect it was having on the revenue picture of municipalities. I was told in that question period that he had met with the representative of SUMA, and they left, persuaded that they were getting the best of all possible worlds. A few days later they wrote a letter to the Minister of Finance, and provided us with a carbon copy. To put it mildly, they were something less than satisfied with their treatment, and

with every good reason, Mr. Speaker . . . (inaudible interjection) . . .

Yes, indeed I am. I'll read the entire letter if the members opposite want to hear it. It is anything but complimentary, I will, since the member from Meadow Lake has asked, I will read a few of the more pungent passages out of the letter.

Suffice it to say that what happened at the meeting referred to by the Minister of Municipal Affairs was that he met with the officials from SUMA. They found him absolutely intransigent, and they left. They were civilized enough not to get into a shoving match on the way out the door, but that is about the state of the relationship.

I want to read for members opposite some of the comments that they had to make with respect to the area of the PCC fund. The member from Meadow Lake will no doubt have an avid interest in the following paragraph:

The Local Government Finance Commission was established by your government . . .

I should say the letter is dated April 23, 1985. It's addressed to Mr. Robert Andrew. I'm not suggesting that the Minister of Finance intentionally misled the House, but the approach taken by SUMA was, to put it mildly, not as he had described it, Mr. Speaker.

The paragraph read:

The Local Government Finance Commission was established by your government to review the provincial municipal fiscal relationship approximately a year ago. This was a step that we commended at that time, and have taken part in a number of deliberations with the committee since that time.

Through our own minister, however, we expressed a concern about a capital replacement program for the existing program that was due to expire at the end of 1984-85 fiscal year. As well, we asked for continued negotiation on the operating revenue sharing program, so that we would not experience a freeze, so to speak, on everything while the deliberations of the commission were in effect.

And guess what happened.

Conversely we did not want, and we expressed this concern, the introduction of a piecemeal type of solution, a bit at a time, preferring to wait until a final report was submitted by the finance commission in June of 1986, at which time the whole of the recommendations could be examined in context, one with the other.

The fear, of course, is that the government opposite would pick out those portions of the recommendations most advantageous to themselves and neglect those provisions which might have been of some assistance to the municipalities. And of course that's exactly what they've done. They have bombed the property improvement grants without providing any new additional funds in areas such as the PCC fund. The letter then goes on, and I know the member from Maple Creek is interested in this:

It seems, however, that our requests have been largely overlooked in the current budget for there is no change in our operating revenue sharing pool, which amounts, in essence, to a reduction in the '85-86 when inflation and other operating costs are taken into consideration.

The property rebate system has to be totally revamped, which is a direct impact on our property taxpayers. And while there was a two-year continuation of the provincial capital fund with the per capita amount being increased by \$5 from 20 to

\$25 per year for two years, which we must confess we asked for, we note that the urban surface transportation provision under the Department of Highways and Transportation has been slashed in half. This latter move has simply shuffled funds from one program to another, from a conditional to an unconditional situation.

We must suggest that as an association we have expressed the philosophy of unconditional grants over the past number of years, and we still adhere to that philosophy. What has happened here, of course, is that the urban surface transportation commitment through the Department of Highways and Transportation have been slashed from \$8.5 million two years ago to just over \$5 million in the current fiscal year.

The explanation given a year ago was that considerable funds had to be expended in the rural areas for highway transportation because rail line abandonment caused heavier traffic flows on rural roads. Almost the exact amount of reduction under urban surface transportation estimates was added to the rural surface transportation estimates.

We understand the increases of \$5 per capita in the provincial capital fund came from the former urban surface transportation estimate. However, if we calculate approximately 680 urban dwellers in this province at \$5 we find something in the order of \$3,000,400, which is 2 million short of the amount that was slashed under the urban surface transportation estimate. So once again we appear to be losers in the shuffling.

I could go on, and on, and on, Mr. Speaker. There are six pages of fairly pungent criticism of this government's treatment of urban municipalities, not the least of the provincial capital fund. Members opposite might be interested to compare the funding provided to municipalities in the last year in which the former administration was in office, and this year. The CCF fund in '81-82 provided \$17.5 million. The PC fund provided \$17.3 million, a reduction of \$200,000, and a very considerable reduction when one takes into account inflation. In constant dollars reduction is very considerable.

But more serious, as was pointed out in the letter from SUMA to the minister, more serious is the reduction in the Highways capital. That was 14.3 million in '81-82; 5 million in the current budget, Mr. Speaker — one-third of what it was.

Mr. Speaker, the urban dwellers in Regina and Saskatoon and other cities are complaining about the state of the roads.

The city of Regina very recently commissioned a study which indicated that new and significant additional dollars are going to have to be spent on urban roads if the deterioration which has taken place up to now is to be arrested . . . (inaudible interjection) . . . Well he'll be sitting right in this Assembly as soon as you people have the guts to call an election, that's where Harry Van Mulligen is.

(1500)

Mr. Speaker, there has been a deterioration in urban roads, and dwellers in Regina and Saskatoon and Moose Jaw who bounce over those abominable pot-holes have no one to thank but this government — this government and its niggardly approach to urban municipalities.

It has been true across the board, Mr. Speaker. We still have a Bill called revenue sharing, but, Mr. Speaker, we have no such program left. There has been no such program since 1982. The amount given to urban municipalities has been reduced. It has been reduced in revenue sharing; it has been reduced in the PC funds; and as the SUMA pointed out, the burden is being

transferred to the urban taxpayer.

This government is in the process of trying to solve the fiscal mess which they created with a wholly unrealistic election campaign, in an irresponsible, unrealistic election campaign they promised the sun, the moon, and the sky. They're now trying to dig their way out of a very deep financial mess, and one of the ways they're trying to do it is to transfer the burden of local government to the property taxpayers, and they're doing it with, I may say, great success, Mr. Speaker. They're doing it in revenue sharing. They are doing it in the PC fund.

Urban property dwellers have no one but this government to thank for the roads and the deteriorating services. It is no wonder, Mr. Speaker, that in the last federal election, which in this province was to some extent, was to a large extent a referendum on the provincial government, that the government opposite, that the Progressive Conservatives lost all the urban areas but one, and that's Saskatoon.

AN HON. MEMBER: — Oh, really?

MR. SHILLINGTON: — Oh, really. Oh, really. Add up the results in Moose Jaw, Yorkton, Regina, North Battleford, Prince Albert — keep going — you lost every urban area but one, and that's Saskatoon, and that was a reflection, I think, on a local situation. And in all other areas, the urban areas voted against the federal Progressive Conservative Party. Why? Because of what you people have done to the cities in a provincial sense. It was a referendum, Mr. Speaker.

This Bill, Mr. Speaker, is part of the problem. Once again we have a significant reduction in the funding to municipalities. The level of services which are required in the cities now have to be raised from property tax owners. This government is shifting its fiscal mess onto the backs of the property owners. And it's something, I can tell you, that the members of this opposition will not be supporting.

Mr. Speaker, others of my colleagues, some of whom are not present, want an opportunity to make comments on this situation. I would have adjourned the Bill except I have already done so and I cannot do so a second time. Therefore one of my colleagues, Mr. Speaker, will be adjourning this Bill in order to give other members of our caucus an opportunity to try and talk some sense to members opposite about what they're doing to the urban areas in the cities.

MR. LINGENFELTER: — Mr. Speaker, as indicated by the member for Regina Centre, I would now move adjournment of the debate on this Bill.

Debate adjourned.

The Assembly resumed the adjourned debate on the proposed motion by the Hon. Mr. Rousseau that Bill No. 76 — **An Act to amend The Education and Health Tax Act** be now read a second time.

MR. SHILLINGTON: — I will, at the conclusion of my comments, be moving an adjournment to this particular legislation. This government has double-crossed the taxpayers, Mr. Speaker, in a number of ways, but I think none in such a blatant and abrasive fashion as this particular Bill.

It's well to remember the election campaign of 1982, and the public in Saskatchewan remember it. And many of them say things like, never again; I was fooled once, but I'm not going to be fooled again. As did a letter writer to the *Leader-Post* within the last two weeks, who I happen to know has not heretofore been a supporter of the New Democratic Party, scaled this government for its management of the province's affairs. The last line of her letter was, "When is the next election?"

That's what the taxpayers are asking. They're asking that because they are being forced to come

up with additional tax dollars. And the taxpayers see that being frittered away with such . . . in displays of incompetence such as we have seen with respect to Pioneer Trust, Mr. Speaker.

It is galling enough, Mr. Speaker, to have to pay additional taxes when they were led to believe that there was a money tree which all you had to do was shake and out would come untold bounties. It was called the Heritage Fund.

Some members, the only one I see in the . . . I only see two or three in the House at the moment, were in the last . . . one, two, and three, four, the member from Arm River, were in the last period, some of the members opposite. They had the opportunity, Mr. Speaker, to read the annual reports of the Heritage Fund. They should have known what our philosophy was with respect to the Heritage Fund: it was to invest in the province and in the people.

Oh no, they chose to pretend, Mr. Speaker, that there was a money tree that they could shake and promise untold and irresponsible promises. They did that. And this, Mr. Speaker, is the other shoe dropping. They are being asked to pay, Mr. Speaker, for that wildly irresponsible election campaign.

Not only are they being asked to pay for a wildly irresponsible election campaign, Mr. Speaker, but it is being done in a fashion which is blatantly unfair. The taxes were given away to the wealthy, to the multinational oil companies, and they're being collected back from the owners of used cars.

That, Mr. Speaker, is not justice, and it doesn't strike the public of Saskatchewan as being Justice. It does not strike the public of Saskatchewan as being fit and fair.

Mr. Speaker, there is everything wrong with this particular tax — everything wrong with this particular tax. It is, as I said, only necessary because of an irresponsible election campaign in which they promised to rifle the finances of the province, and then went ahead and did it. It is only necessary because they gave tax breaks to wealthy multinationals, and now while the Minister of Energy laughs . . . You've got the lion's share of it; you ought to know. You got the lion's share of it — you gave it away to multinational oil companies.

The very people who are being asked to pay taxes on their used cars so that you can give away hundreds of millions of dollars to the energy companies, who wouldn't notice a tax on a used vehicle if you levied it on them — they wouldn't notice it — but it is noticeable to the people who are going to pay it. There is everything wrong, Mr. Speaker, with this particular tax Bill — everything wrong with this.

Mr. Speaker, the person who . . . The supporters, whether it's the Minister of Tourism and Small Business or his brother Willie, when they buy a Cadillac and trade in last year's model, they get quite a reduction in tax, Jackie and Willie do. But Mr. Speaker, when a person of average means, and sometimes something less than average means, goes to buy — the member from Shellbrook-Torch Rivers goes to buy his used car or his used grain truck, he's got to pay the tax. So what is being given away to Jackie and Willie is being taken out of the pockets of the less affluent, people who are often much less than average.

Used vehicles, Mr. Speaker, are by and large owned and driven by the young and the people of average means. And I use that as sort of a euphorism for those who are in fact below average. That's the people you're taxing. You're taxing the people. Well, if you think it's not devastating, if you think this is smart politics, then call an election in Regina North East and run on your budget. There are two or three, Mr. Speaker, things that are wildly unpopular about that budget, not the least of which is this particular Bill.

The public are incensed about the budget, and they are incensed because of things like this. This is \$7 million, and it is a tax on, if not the poor, the people on the next rung up, the young, and the

elderly, and the people in between of low incomes. That's who you're taxing with this thing, Mr. Speaker.

And if members opposite really think that this is the most intelligent of all budgets, if that is their view, then I suggest you call an election in Regina North East and run on the budget and see what happens to you. I tell you what's going to happen to you if you tried it.

MR. SPEAKER: — I believe that we aren't debating when the next election will be and who would be the most popular, but we are debating a Bill that's before the Assembly. And if the member would like to say anything further, I'd like him to get back to the Bill.

MR. SHILLINGTON: — I may have been off the topic, Mr. Speaker, and I apologize. The only excuse I can offer is that when the members opposite are in as much trouble as they are electorally, it is very difficult to avoid the subject. I will avoid it, but it is a great temptation to get to that subject.

I say, Mr. Speaker, that this is unpopular with very good reason. It is unfair. You're shifting the tax from the wealthy to the less affluent. This government, Mr. Speaker, is not opposed to socialism. It's just that they believe in socialism for the rich and free enterprise for the poor. And that's what we have: government largess for the wealthy and "welfare reform," quote, unquote, for the poor.

I say, Mr. Speaker, that in a moment I'm going to move an adjournment of this. This tax Bill is simply not acceptable.

I don't know, Mr. Speaker, if we can bring this government to its senses on this piece of legislation, but we are going to try, I tell you. We are going to make an honest effort. We are going to make an honest effort to bring some common sense to bear and bring some equity to bear on taxation in this province, Mr. Speaker.

I want to mention one other thing that is wrong with this Bill, and that is, Mr. Speaker, its administration. It's going to be a very difficult Bill to administer. It is going to be a very difficult to administer, Mr. Speaker.

I want to mention one other thing that is wrong with this Bill, and that is, Mr. Speaker, its administration. It's going to be a very difficult Bill to administer. It is going to be a very difficult to administer, Mr. Speaker.

One of the difficulties with this Bill is that the tax is being levied on transactions . . . (inaudible interjection) . . . Yes, we're afraid to let it go. You guys are afraid to face the music on this Bill. You're afraid to face the music on this Bill, on this Bill and the budget.

Mr. Speaker, one of the administrative programs with this Bill is that while . . . You're going to get an argument in committee, too. You're going to get a tough little rumble on this one. It is violently unfair.

One of the things that is wrong with the administration of this Bill, Mr. Speaker, is that it's going to be very difficult to administer because the tax is levied not just on actual sales, but on gifts and transactions. So someone has to say, on something that is not an arm's-length transaction, someone's got to say what the vehicle's worth. And who's going to decide what a '54 or '64 or an '84 Cadillac or a Chev is worth?

Nobody can say that in the abstract. Nobody can say what a vehicle is worth. It depends on a lot of things. It depends on its mechanical condition; it depends on the appearance of the vehicle; it depends on the interior; it depends whether or not it's a popular vehicle, in vogue. Yet someone, some bureaucrat opposite who pays homage to the minister, to the member from Regina South, is going to say what the . . .

MR. SPEAKER: — Order, please. Order, please. Any members that wish to speak on the Bill will be given the opportunity, but for this point, the member for Regina Centre has the floor.

MR. SHILLINGTON: — Mr. Speaker, the administration of the Bill is going to be very difficult. You are going to have an arbitrary value for a vehicle. I know what you're going to do. You're going to have the blue book or some . . . It will be blue, because everything about this government is blue, whether it be the guides out front or the highway signs, if you adopted your party colours as the provincial colours.

But I say, Mr. Speaker, they're going to have a book of values of vehicles, and they're going to have to pay that whether or not the vehicle is in good condition, whether or not the colours are blah and therefore the vehicle has a low market value. Because on a used vehicle the external appearance is very important. A vehicle which looks smart has a much higher value on a used vehicle than one that looks blah.

(1515)

But you're not going to take that into consideration. You're not going to take that into consideration on a gift or a transfer. Some bureaucrat's going to open up a book, Mr. Speaker, and he's going to flip to page 1542 and he's going to find the value for an '81 Chev. And that value is going to be \$4,320, and that's what they're stuck with. That's the tax that they'll wind up paying even, Mr. Speaker, when members give the vehicles away, as often happens — even in those circumstances.

It is a foolish, foolish law which encourages people to cheat. And that's what this Bill is doing by taxing gifts. You are encouraging people to cheat. You are encouraging people to leave the vehicle in the name of the owner, Mr. Speaker. You're leaving the vehicle in the name of the owner and you are . . .

Mr. Speaker, the Bill in so far as it attempts to tax gifts is a silly, stupid, and unfair provision. It is silly because it is very hard to do. It is unfair because you are taxing a transaction which ought not to be taxed — a gift. People ought to be able to give gifts without the government seizing a part of the gift, which is what you're doing.

I say, Mr. Speaker, that this Bill is unfair. I am going to, at this point in time, ask for an adjournment. Others of my colleagues want to have something to say. I may have more comments in the future. We are going to do everything possible to try to bring the government to their senses on this Bill, and I therefore ask, Mr. Speaker, for leave to adjourn the discussion.

Debate adjourned.

The Assembly resumed the adjourned debate on the proposed motion by the Hon. Mr. Rousseau that Bill No. 77 — **An Act to amend The Tobacco Tax Act** be now read a second time.

Motion agreed to, Bill read a second time and referred to a committee of the whole at the next sitting.

The Assembly resumed the adjourned debate on the proposed motion by the Hon. Mr. Rousseau that Bill No. 78 — **An Act to amend The Corporation Capital Tax Act** be now read a second time

MR. SHILLINGTON: — We aren't going to ask that this would be adjourned. I do have a couple of comments to make, however, and I won't be long with respect to this Bill.

This, Mr. Speaker, is tokenism. It really is. It really is. I gather it is \$3 million. The members opposite, Mr. Speaker, under the Bill we just discussed, are picking up 7 million bucks a year from the young, the old, and the less affluent — 7 million bucks from those people. From the banks, and if members opposite want, I will read from the pages, the current edition of *The Financial Post*, and I will read to you the profits from the banks — from them they are getting \$3 million.

This, Mr. Speaker, is tokenism. It was an attempt to sell a series of unfair taxes.

Mr. Speaker, the abolition of the property improvement grants was unfair. The tax on used cars was unfair. The flat tax is unfair. In an attempt to solve those unfair taxes, they brought in this bit of tokenism — \$3 million. Do you know what percentage that is of the current budget? It's one-thousandth of 1 per cent of the current budget. That's what you're getting from the banks — that's what you're getting from the banks. From the young, the old, and the less affluent, you're getting 35 million bucks over the next three years.

From the general taxpayers, most of it coming from low income people, on the flat tax they're getting 100 million bucks. The property improvement grants, they're taking away the same amount. But from the banks, from the banks whose profits are in the hundreds of millions of dollars — a lousy \$3 million. It is tokenism; it's buying you nothing.

If we could, Mr. Speaker — and we cannot — if we could we would increase the tax on the banks. That is not something that's open to the opposition. We are not going to be opposing it, Mr. Speaker, but we are opposed to the tokenism which lay behind this. We wished you had taxed the banks and left the young and the old and the less affluent alone.

So we're not going to be opposing it, Mr. Speaker, but we do object to the silly cosmetics and the tokenism which lay behind this.

Motion agreed to, Bill read a second time and referred to a committee of the whole at the next sitting.

COMMITTEE OF FINANCE

CONSOLIDATED FUND BUDGETARY EXPENDITURE

DEPARTMENT OF ENERGY AND MINES

Ordinary Expenditure – Vote 23

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

HON. MR. SCHOENHALS: — Mr. Chairman, we introduced the officials last night. It is the same group are already on the record. I think people know them, so maybe we could proceed.

Item 1 (continued)

MR. LINGENFELTER: — Mr. Minister, I wonder if you could outline for us over the past three years the new exploration — or not the new exploration, but any new finds. You will have heard throughout western Canada, I suppose in Alberta, some of the major finds that have been made over the last three years.

I was listening to someone out of Calgary yesterday on an open line show who was indicating that in Saskatchewan most of the oil production that has been brought on stream in the last three years has been, in fact, what you would call step-out or infill drilling. Can you give us the list of the number of new fields that you have found as a result of your energy program and taxation policy?

HON. MR. SCHOENHALS: — Mr. Chairman, in answer to the specifics of the question, a list of the pools, I'll have to provide that to you. A couple of substantial ones that come to mind is the find at Kerrobert, the find at Moosomin, the Tatagwa pool. There are others though, and we'll get you that list. We don't have that with us.

I think it's significant to note that in Saskatchewan today exploratory drilling amounts for something in the range of 25 per cent of the metres drilled, which is indeed a substantial number — we would believe very healthy in the industry. I think it's important to note that '83 over '82 reserves increased 15 per cent. Granted, there's some technological improvements there but still again substantial. And the numbers aren't in for this past year totally, but we will have a significant increase again in reserves, and we will continue to see that 25 per cent of exploratory drilling, and possibly that could be higher as well.

HON. MR. BLAKENEY: — Mr. Speaker, Mr. Chairman, I want to pick up a few little points that were left dangling last week, or when we had . . . It's two weeks ago now, I guess. There was a little point on coal, the transfer of coal interests. It's referred to on page 2069 of *Hansard*. The question dealt with the transfer of new coal reserves, and I wonder if you can tell me . . . As I said then, I'm trying to find out the nature of the transactions wherein Utility Coals, for example, at Estevan, but more particularly Manalta Coronach, acquired coal interests. You indicated that you would be able to give me more information on that. Could you give me that?

HON. MR. SCHOENHALS: — Mr. Chairman, the details that were asked for are as follows: on December 7, 1984, there were 27 coal leases totalling 13,298 acres in the Coronach area. Townships 2, 3, and 4, R 26 and West 2, were transferred, and it was . . . There were actually two transfers, first of all from Manalta Coal to Poplar River Coal Mining Partnership, and then the Poplar River Mining Partnership transferred them to SPC. These leases were then subleased from SPC to Poplar River Coal. SPC is still the registered owner of these leases.

(1530)

Secondly, there were 15 coal leases owned by SPC; eight plus seven road allowance leases in the Coronach area — and again I could give you the townships if that's important — all or part consisting of an aggregate 2,840 acres. These were subleased to Poplar River Coal Mining Partnership, with SPC still being the registered owner of the leases.

HON. MR. BLAKENEY: — Thank you, Mr. Minister. I'd like to ask a few questions about that. I don't want to ask them to you: I'll ask them to Sask Power, and I would therefore ask you to forward to me the information you just gave me with the townships and that sort of information, and I will not detain the committee any further with respect to that.

I'd like to ask a few questions with respect to the co-op upgrader. I will call it that NewGrade or co-op upgrader. I'll call it the co-op upgrader. How much money has the Government of Saskatchewan provided to date, and how much money has the Government of Saskatchewan guaranteed to date with respect to NewGrade?

HON. MR. SCHOENHALS: — Mr. Chairman, to date we have provided \$3.6 million to NewGrade. Of that sum, 2.9 million have been in the form of loans; 0.7 million have been equity. To date we have not guaranteed anything, but after the final decision is announced we will convert the loans to guarantees.

HON. MR. BLAKENEY: — Mr. Chairman, continuing on with co-op or NewGrade, last fall the reports indicated that, I now quote the federated co-op I presume its corporate secretary, Harold Empey.

We expect a final go or no go decision by the end of February.

Has there been any such decision on go or no go, as the phrase is, with respect to NewGrade?

HON. MR. SCHOENHALS: — Mr. Chairman, the decision has not been made. There are a couple of phase 1 studies that are just wrapping up. The NewGrade board has considered the work that's been done to date and will be considering the information that will come in over the

next short period of time. We anticipate — and once again these things are never exact — we anticipate an announcement some time in the next month, six weeks.

HON. MR. BLAKENEY: — Mr. Chairman, and Mr. Minister, there was a further one indicating that Ian Donald, NewGrade's executive assistant, said that technical studies are now complete, but economic studies which may prove or disprove the viability of the operation are scheduled to take place until the end of May, meaning this month.

Can you tell me whether those economic studies have been completed?

HON. MR. SCHOENHALS: — That's the final bit of information they indicated the NewGrade board was awaiting. It's not quite totally complete. We anticipate that by the end of May, as indicated, we will have that information. It will then be analysed and a decision made, and once again we're looking to the middle of this year as the time frame.

HON. MR. BLAKENEY: — Mr. Chairman, and Mr. Minister, I take it then that some of the comments in your annual report will be subject to revision on that account. This is talking . . . I'm reading on the deputy minister's introduction at page 4, the second column, dealing with NewGrade: ". . . and construction is expected to begin in early 1985." What date would you put upon that, on the assumption that construction is going to go ahead?

HON. MR. SCHOENHALS: — We would now anticipate site preparation beginning in the fall of this year, major construction early in 1986.

HON. MR. BLAKENEY: — Mr. Chairman, and Mr. Minister, I would refer to environmental impact studies. Have these studies been completed by the NewGrade consortium? Have they been provided to the Department of the Environment? And are you able to give me any additional information on the state of the environmental impact assessment process?

HON. MR. SCHOENHALS: — Yes. The environmental impact statement has been prepared. Yes, it has been submitted to the Department of the Environment. They have provided NewGrade with a list of deficiencies. Those are being responded to, and I would anticipate that that will be done in the next two weeks. We would look then to Environment's reaction, and then we would anticipate public input some time in June.

HON. MR. BLAKENEY: — The earlier suggestions have been that the environmental impact studies and the commentary would be presented to the public in June. I take it that that is still the timetable that you would think might be met.

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

HON. MR. BLAKENEY: — I now turn to a couple of more technical questions with respect to the co-op upgrader. What type of oil, and from where, is it anticipated would be used in NewGrade?

HON. MR. SCHOENHALS: — The feedstock will be from Saskatchewan, roughly split between 50 per cent Lloydminster blend and 50 per cent Fosterton.

HON. MR. BLAKENEY: — The process, I understand, is one which involves removing the sulphur by converting it to hydrogen sulphide at one stage of the process. Are you able to give any assurances as to whether or not hydrogen sulphide will constitute a hazard to the people who are living around there? Will there be a strong smell associated with the upgrader shortly put?

HON. MR. SCHOENHALS: — Mr. Chairman, the system is totally closed. There will be no hydrogen sulphide emissions of any kind.

HON. MR. BLAKENEY: — Come on and get into this. I'm needing some help, Mike.

With respect to the upgrader, we're still talking about phase 1, and I'm now talking about the NewGrade upgrader. I am asking about the economic feasibility. And you will know, it has been suggested by industry analysts and others, that the price differential between heavy oil and light oil in order to support an upgrader of this kind, would need to be, say, \$9 a barrel.

And I am talking about NewGrades, and I'm quoting one Ian Donald as he was quoted in the press. He says, "... that differential does not exist." But Donald says, "... experts predict a \$5 to \$10 spread can be expected in the next half dozen years."

Could you tell me what size of spread your department believes is necessary in order to make this economic, and whether or not that spread now exists, and whether you predict it will exist in the foreseeable future?

HON. MR. SCHOENHALS: — Mr. Chairman, the Leader of the Opposition, the \$9 figure that you quoted is generally accepted in the industry as the number for a stand-alone upgrader. With the integration with the existing refinery and the other benefits, we estimate that by 1989 in order to get a return on investment of between 15 and 20 per cent, we need a differential of around \$7. At the present time that is not the case. It's slightly over \$6 at this time. But through discussions with industry people and our own calculations, as much as it's possible to predict these things, we believe that that will, in fact, be there by 1989.

HON. MR. BLAKENEY: — Mr. Chairman, and Mr. Minister, that \$7 figure will make the upgrader economic almost regardless of what the absolute figure for heavy crude and light crude is, or is there also a price at which the light crude — what I will call the synthetic crude — will have to sell for, as well?

HON. MR. SCHOENHALS: — Mr. Chairman, there is a minimal impact — very small — in what the absolute price is. It got a fairly wide range and it really plays very little part. The differential and the NewGrade project is really the key.

HON. MR. BLAKENEY: — Mr. Chairman, and Mr. Minister, what is the ... Under existing agreements and on the assumption that NewGrade went forward, what would be the maximum financial exposure of the Government of Saskatchewan ... and the project yielded nothing, what is the maximum potential loss, if I can put it that way?

(1545)

HON. MR. SCHOENHALS: — The agreement ... we would be exposed for 55 per cent of the costs. It's estimated that the total cost will be somewhere in the area of \$600 million, so I suppose the number would be 300 million. At that time we would be a 50 per cent owner of the NewGrade corporation. And I think it's important to indicate that as a government we're not going into this project with the intention of losing any money. It was a solid economic project when it was announced, and still is today.

HON. MR. BLAKENEY: — Mr. Chairman, and Mr. Minister, I return for a moment to the Lloydminster upgrader and a couple of points that I would just like to establish. It is said that a lead time of approximately five years is necessary between project approval and the point that the facility comes on stream. Is that still thought to be the case, and will you confirm that project approval for the purposes of this calculation, is not yet happening? We don't have project approval as understood, when you state that.

HON. MR. SCHOENHALS: — Project approval, at least in the document you have, by Husky's definition, means the June 1984 announcement. The five-year period would be from that date. They anticipate start-up in the summer of 1989, so I guess it's a matter of definition. But what

they are referring to in the document you have in front of you is the announcement of the signing of the memorandum of understanding.

HON. MR. BLAKENEY: — Mr. Chairman, and Mr. Minister, the brochure of summary document — I don't mean to characterize it in any way other than to say the summary document — indicates that something approaching \$100 million in construction as opposed to engineering or materials and equipment, is likely to be spent in calendar year 1986, is that timetable still likely to be — still thought to be realistic, or not? And I'm referring to the chart on page 11 and the paragraph at the top of the chart indicating construction in 1986 of probably \$100 million.

HON. MR. SCHOENHALS: — Mr. Chairman, that's certainly a ballpark number. That's fairly close. Husky has been moving along the path. I think they have awarded their four or five major engineering packages.

The \$100 million that was referred to would probably be spent on pipeline construction, on site preparation at the site of the upgrader, on production facilities in the field, and so on. So I think that the number that is indicated there, while the exactness is not known, is probably certainly ballpark.

HON. MR. BLAKENEY: — Mr. Chairman, and Mr. Minister, when we dealt with this a couple of weeks ago you indicated that the planning for the Lloydminster upgrader was predicated on a price for Syncrude of \$43.28 a barrel at the time of the completion of the project.

Could you tell me whether this project and the economics of this project are highly price sensitive, or only modestly price sensitive? I hope I make myself clear. When I say price sensitive? I hope I make myself clear. When I say price sensitive. I mean price of the end product, the Syncrude project.

HON. MR. SCHOENHALS: — Mr. Chairman, it's certainly more price sensitive than NewGrade, where you are simply taking the feedstock out of the ground, producing Syncrude, and selling it. The price sensitivity is considerably higher than NewGrade. If we're talking in relative terms, in terms of saying highly or modestly, I would tend toward the highly as the answer.

HON. MR. BLAKENEY: — Thank you, Mr. Minister. If that price varies significantly, then the economics of that project will be reviewed. I won't put it any higher or lower than that.

I have a number of questions just primarily for information. I refer to the annual report and I refer to page 14. I was interested in column one on page 14, the small paragraph indicating that retrofitting of existing recreational facilities was a project carried on under the Canada-Saskatchewan Renewables/Conservation Demonstration Program. And I noted that four typical recreational facilities were retrofitted. It's estimated that the retrofits will save \$100,000 a year in energy and that there would be a pay-out of less than four years. Would the minister care to say just a little bit more about what sort of recreation facilities were retrofitted in a manner which would give a pay-out in less than four years?

HON. MR. SCHOENHALS: — We don't have that information with us, but we do have it in print and we'd certainly be pleased to send it to you. Tisdale Recreational Centre is one of the four. It's under an old program that has since run out, but we can certainly provide that in printed form for your information.

HON. MR. BLAKENEY: — Thank you, Mr. Minister. I think anything that would provide for a pay-out in less than four years for some of these recreational facilities will be a matter of some interest. And I don't know whether it's restricted to certain types of recreational facilities which would be quite unusual to find, or whether it might be available to a number of people. And I will await the information you propose to give me.

I want to talk a little bit about one other question of general interest to me. I noted that in a

number of places in Saskatchewan where 80 acres — this has to do with oil and with spacing — in a number of places in Saskatchewan where 80-acre spacing has prevailed for a good number of years, there has been a move to 40-acre spacing.

I ask the minister whether this move was made because of the age of the field, or because of a difference in geological approach? And some of those fields down around Midale have been around for, I would think, 20 years anyway, and been produced on an 80-acre spacing. And when I go down there, I see pump jacks, brand-new pump jacks, sitting among the ones that I've seen there for many, many years. And I wonder what is the purpose of putting an extra straw in that soda?

If it was felt over a period of decades that 80-acre spacing — decades under the New Democratic Party government and the Liberal government which preceded it, so that this geology is neither right-wing or left-wing geology — if it was thought to be a good idea over all those years, why is it now thought that 40-acre spacing is right? And as I say, does it have anything to do with the age of the field, or are there other considerations?

HON. MR. SCHOENHALS: — Mr. Chairman, the decisions that are made regarding spacing . . . Obviously the determination of the 40-acre spacing requires approval of the department. Those decisions, the space criteria that are used, are based on the same criteria that has been in place for a number of years.

The department today, myself, everyone involved, believe very strongly in the principles of resource conservation. We believe these are being applied.

Now in response to your question: why do you see more of them today? — a number of years ago there were some pilots done on 40-acre spacing. Those studies took place to provide or disprove the advisability of it. Since then we have considered the results of those. I think 40-acre spacing is now something that is in place more than it was before.

We considered very carefully whether oil will be lost from the 80-acre spacing, if it's advisable to go to 40. And the criteria, as far as consideration is concerned, are the same as always. And I think it's safe to say that the members of the department take a certain degree of pride in the way they apply those rules.

HON. MR. BLAKENEY: — Mr. Chairman, and Mr. Minister, I just find it curious that they seem to have come together. The 40-acre spacing seemed to be a good idea. The geology apparently changed when these reduced-spacing wells became eligible for the new oil reference price, and the geology seems to have changed when these reduced-spacing infill wells became eligible for the one-year royalty holiday.

Is it not true, Mr. Minister, that once these wells became, for some obscure reason, eligible for the one-year royalty holiday and eligible for NORP, the new oil reference price, the number of infill reduced-spacing wells greatly increased? Is that not true?

(1600)

HON. MR. SCHOENHALS: — I think it should be pointed out very clearly, Mr. Chairman, that the reasons for these 40-acre spacings are by no means obscure. If you're not going to recover oil that you wouldn't recover under the 80-acre spacing, it's not taking place. And the rules, conservation rules, are applied very strictly.

However, the point you made about economics is true. Previously when there was no economics, no economic reason to drill that extra well to get that extra oil, people weren't applying for 40-acre spacing. So now that the applications are coming in, they're being considered.

The geology has not changed; the criteria has not changed; the economics of course, as you indicate, have changed, with NORP pricing and so on, and that is certainly part of it. But the geology and the application of the rules has not changed one iota.

HON. MR. BLAKENEY: — Well, Mr. Chairman, and Mr. Minister, fair enough. You have established the fact that there has been a substantial increase in wells drilled in areas which were previously subject to 80-acre spacing but now are subject to 40-acre spacing — a substantial increase since such wells became eligible for the new oil reference price, and since such wells became eligible for the one-year royalty holiday.

I am saying, with respect to . . . There's nothing obscure, as I say, about someone drilling a well — nothing obscure about the reason why someone would drill a well in an area which was the next thing to absolutely sure that it would get oil, particularly if he's ringed by producing wells, when he is going to get a one-year tax holiday; particularly if he can reduce the production in the surrounding wells on which he's paying a royalty, and pump out of his new well which is royalty free. There's nothing obscure about that. There's nothing obscure about it from the operator's point of view.

What is obscure, Mr. Minister, is why the Crown would think that that type of a well should be a proper target for a royalty holiday. Everyone agrees with the principle of royalty holidays for exploration wells because there is some element of risk — and may be a very substantial element of risk — in an exploration well. And with respect to step-outs and the rest, it's always a question as to whether it's a development well or an exploration well if you're getting away from a producing pool.

But when you're surrounded by producing wells, there is next to no element of risk with respect to finding the oil. There's always an economic risk, but next to no geological risk since the number of producers in the Midale field in the infilling would be, I would think, 98 or 99 per cent.

And I am asking: why is it logical to collect royalties on those on the basis of a royalty holiday? If you want to lower royalties, fine. I'm not . . . that's your policy. But with respect to the technique of a royalty holiday, which very clearly allows someone to reduce some production from surrounding wells, and from the new well, because no one can deny that at least to some extent those wells are drawing from the same pool — why, then, do you select the idea of a royalty holiday as opposed to some other inducement as a way of getting in-fill wells drilled? Is there not a way which you think will protect the public revenue more from loss from reduced production in surrounding wells?

HON. MR. SCHOENHALS: — Mr. Chairman, there are probably two points that should be made. The first is that in-fill drilling is not devoid of risk. We could provide examples of dry holes being drilled in the middle of pools. Granted, it's less, but it's not devoid of risk. So risk is still an element of the industry. Again, I would suggest you chat with your desk mate on the risks involved in in-fill drilling and step-out near other pools.

The second factor, and probably more importantly, is many of these additional spacings that you're seeing around the country are, in fact, the first step in longer term EOR projects, primarily water flood. In order to get those EOR projects going — and as you indicated, many of these pools are 20 years old and older — EOR, I think, as far as our conventional oil is concerned, is certainly the direction we have to go. It has to become a major part of our industry here in Saskatchewan. In order to get those going we have to allow some experimentation, allow the activity to take place. And so part of those are indeed part of longer term projects.

It could be added as well that there are many different elements to the oil industry. You could have a different incentive program for different kinds of oil, different volumes, and so on. I don't think it's reasonable to take one and consider it in isolation, but those two reasons are primarily

why we believe and have chosen to provide the holiday for infill drilling.

HON. MR. BLAKENEY: — Thank you, Mr. Minister. I will go on to two or three other items. I want to touch on uranium royalties. There's a reference in the annual report indicating that the geology and mines division undertook a comprehensive review of the provincial uranium royalty system. This included an assessment from both an economic and a financial perspective as an alternative . . . of an alternative tax and royalty system.

Would the minister outline what the thinking of the department is with respect to the uranium royalties? What new directions are you proposing to take, or are you proposing to leave the uranium royalty structure substantially as it is?

HON. MR. SCHOENHALS: — The system that we are reviewing, or that is in place today, as I'm sure the member knows very well, was put in place in 1976. It was put in place at a time when the Beaverlodge mine was operating — not a particularly efficient mine. Consequently the base rate was set very low. That's certainly one thing we're taking a look at.

There was a pricing prognostications that would see prices continue to rise. Prices have obviously not continued to rise and, in fact, have dropped. That has to be considered, so the review that we are currently involved in (and we are not through it; we are still working at it) it is hoped — the objective, I guess, is a better way to put it — is to assure that the Crown receives a fair share from uranium development; and secondly, that the régime that is in place fits the current economic conditions as they exist.

And I suppose the review, then, is based on the need to look at what was put in place in '76, and consider the conditions that exist today, and that obviously now the projections are different than they were at that time.

HON. MR. BLAKENEY: — Well, Mr. Chairman, and Mr. Minister, the existing royalty schedule admittedly had a base rate to deal with a particular case which does not now exist, but other than that it was thought to be sensitive to wide swings in the economics of uranium mining.

What I ask the minister is this: in the opinion of the minister, is the current uranium royalties régime in the current economic climate one which extracts too little from the producing companies or too much from the producing companies? Are you looking to lower, or looking to raise the amount that the Crown receives?

HON. MR. SCHOENHALS: — Well, you have identified the objective of the review. We are looking to get a fair share, and that is what's under review. I have not gone into the review by giving my officials instructions to go out and get more or go out and get less. The review is intended to go through the whole process and see what comes out the other end and then make recommendations and considerations based on it. But there have been no predetermined instructions.

HON. MR. BLAKENEY: — I will ask in a moment about potash agreements. But I'll ask one very brief question, and it's virtually a repeat of the last question. In the opinion of the minister, is the amount which is now being received by the Crown fair?

HON. MR. SCHOENHALS: — Mr. Chairman, I think it's safe to say that if I have a bias in this case, it would be highly unlikely that the review would produce a reduction in the royalties that the province receives from uranium.

HON. MR. BLAKENEY: — Mr. Minister, I now turn to potash, and I'll call them potash royalties, but I don't use that term with precision since I'm just talking about the amount of money that the Crown collects from potash.

There were agreements which were negotiated with the potash companies and which expired, I believe, about a year ago — June of '84, as I recall them. And I believe they were continued temporarily for six months, and perhaps for another six months, and you can refresh my memory on that.

Have new agreements been negotiated, and can you indicate whether new agreements have been signed, and if so, when, and if not, are negotiations in process?

(1615)

HON. MR. SCHOENHALS: — Mr. Chairman, there have been . . . The agreements have been negotiated, but have not yet been signed — we're in that period between negotiations and final signed documents coming back in — provide for a two-year extension of the PRPA (Potash Resource payment agreement) agreement. The details will be available shortly, as soon as they're all back and signed. And I will be making that announcement in the very near future.

I think it's safe to say that the graduated nature of the payments and the rates will be the same as had been in place on the previous agreement. What we have is basically an extension. There are probably only two significant differences. One is some incentive within the system to encourage market development offshore. That will be detailed later when they're back.

The second is an attempt to plug a hole within the system in the transportation side to take into consideration the fact that potash is primarily shipped now in unit trains rather than single cars. And that has been plugged and will result in further revenue for the Crown. But all in all we have an extension, for the most part, of what was in place, and that extension is for a two-year period.

HON. MR. BLAKENEY: — Thank you, Mr. Minister. I give my gratuitous comment again that I basically approve of these royalty régimes which are highly sensitive to market conditions. If the royalty is too high for the market, then the Crown, there is no way the Crown can extract a too-high royalty from a producer who isn't make money. And if the royalty is too low, then the public becomes unhappy with the fact that a low royalty rate is being paid on a resource which is yielding a large return.

And I think the idea of having a royalty rate which is sensitive to internal rate of return, or whatever, is highly desirable. And I'm glad the minister essentially approves of that since he is extending both the potash one and the uranium one, as he tells me, without significant changes. But perhaps if there are significant changes I know he will correct me.

I will sit down for a moment to see whether I have summarized the situation correctly or otherwise.

HON. MR. SCHOENHALS: — What results from the review of uranium is yet to be seen. I'm not prepared at this time to say that we will extend. We have, as you indicated, extended the potash process. I suppose I could say we appreciate your approval, but it probably won't influence too many of our decisions.

HON. MR. BLAKENEY: — Thank you, Mr. Minister. I want to turn very briefly to the hard rock area, or the mines branch, as opposed to the petroleum and natural gas area, and just make the observation that it's been a very rough year in the mines business.

I noted that mineral claims, new dispositions covering mineral claims and claim blocks and the rest, were subject to a decrease of 35 per cent from the previous year. The mineral claims, as such, were down 44 per cent from the previous year. There was a general . . . Coal leases were down 25 per cent. Potash leases, not a big factor, but down 4.5 per cent.

There was hardly a single element in the miens area, under minerals disposition regulations, or

coal mining regulations, or potash and salt regulations, or prospecting permits, or the like, which weren't down compared with the previous year. Now this obviously reflects the depressed state of the markets generally in base metals, and to a lesser extent in potash.

Does the minister hold out any prospect that there will be a recovery in the areas acquired under claims or claims blocks or permits, under any of the regulatory systems in the upcoming year? Or are we in for another sad year?

HON. MR. SCHOENHALS: — Mr. Chairman, I think in assessing whether in fact we have an active or less than active hard rock side, it's probably more worthwhile to note the amount in millions of dollars that have been spent on exploration, and we find relatively constant increase. Gold, for instance, in 1983, \$4.1 million was spent on exploration; in 1984, \$6.4 million — almost \$2.5 million increase; 1985, we project \$7.7 million will be spent. We see base metals rising from 3.3 million in '83 to 3.7 in '84; something similar again in 1985.

The fact of the dispositions, the acquisition of land being down, is probably related in large part to uranium. That's the one area where the exploration has decreased. They moved into the precious and base metals, obviously the dispositions of a smaller nature, and not near as large as are acquired for uranium exploration. And possibly that in some ways explore, as well as the factors you've indicated, why the dispositions are down.

But the exploration expenditures and, I believe, as I indicated the last couple of weeks ago that we will see some developmental expenditures — those types of things. And I would indicate that there is optimism and there is activity in the North as far as precious and base metals are concerned.

HON. MR. BLAKENEY: — There's certainly activity in gold. All of those figures are tiny compared with three or four years ago when \$75 million or perhaps even \$100 million was not a particularly large . . . was a figure which might be spent in one year on northern exploration.

I ask, just for my own satisfaction, whether the table on page 23 of your annual report is right. The table at the top right-hand corner of page 23 doesn't make sense to me. It may be Crown revenues rather than reserves, but it just didn't make sense, and if you're able to throw any light on that it would be . . .

HON. MR. SCHOENHALS: — Mr. Chairman, first of all a comment. As you indicated, a number of years ago it was not unusual for considerably larger sums of money to be spent on exploration in the North, and, as you're well aware, that was for the most part spent on uranium exploration.

And I suppose the logical question is how, then, do you square the NDP resolution to close the mines and get out of uranium exploration development and all the things go with it? But I think that's been asked a number of times, so I would leave that hang.

However, you have come up with an error, the first one you've uncovered, that is a typo. That should be Crown revenues rather than resources.

HON. MR. BLAKENEY: — One other small point, or perhaps not small. With respect to the TransCanada Pipeline agreements which are referred to in the annual report concerning natural gas, and I'm referring particularly to page 5 of the annual report, and it indicates that in March of '84 the TransCanada Pipeline-SPC agreement to back out some Alberta imports was entered into. Could you indicate what — if this information is within your jurisdiction, and if it isn't simply tell me — I can understand what the Crown received, the Government of Saskatchewan received from TransCanada Pipeline. They received — they were relieved of their obligation to take so much gas from the TransCanada Pipeline. Their obligation was reduced. What concessions did they give to TransCanada? What was given to TransCanada in exchange for that? And if you feel that I should direct this to somebody else, you can tell me.

HON. MR. SCHOENHALS: — Mr. Chairman, in the negotiations that took place TCPL was obviously involved, but they were not the key actors. The negotiations were between the Government of Saskatchewan and the Government of Alberta, since we were backing out a very small — and I would suggest in the larger scheme of things in Alberta — a rather insignificant amount of natural gas as far as they were concerned. The Government of Alberta understood the objectives of our program. They tended basically to agree with them, and there were no concessions made to either Alberta or to TransCanada Pipeline in order to achieve the back-up that you refer to.

I think it's important to note the objectives of the negotiations as we set them. We believed that, while at one time it may have made some sense to purchase what was then cheap gas from Alberta, in the present situation the product could be produced cheaper in Saskatchewan. There was a saving to SPC by carrying this out. There was the added incentive for people to get involved in the natural gas industry, to go out and explore and develop. And some considerable amount, in fact, of that has taken place to the point where last year we saw over 400 wells drilled, where in 1982 there had been eight or nine, or some number of that nature.

We also felt that it was important for Saskatchewan to get control of its own destiny in terms of natural gas, to determine what reserves we did have so we could make some intelligent decisions based on knowing what we had in the ground. I guess the bottom line was that we believe that the border between Saskatchewan and Alberta was basically political, and not geological. And we proceeded along those lines.

I think another objective in the program, which is ongoing, is that some time in the early '90s when those long-term contracts that were signed previously do run out, Saskatchewan will be in a position to have self-sufficiency, and we still believe that is a realistic goal.

However, there were no concessions made to TCPL; there were no concessions made to Alberta. It was a negotiated arrangement.

HON. MR. BLAKENEY: — Thank you, Mr. Minister. I want to raise another issue — it won't be the first time we've raised it, but I'll raise it again.

(1630)

I want to take their annual report, and I want to read a little bit to you. I want to refer you to page 4 where you say oil production increased. And we all know that oil production increased in 1983, primarily because of markets opening up in the United States because of a change in the laws with respect to export of light crudes. And that had a dramatic effect on the production of light crudes in Saskatchewan, and in Alberta — the first recovery from the ill-starred national energy program.

So we have:

Oil production showed a dramatic improvement as a result of the increased drilling activity and strong markets. Production for 1983 was 60 million barrels, compared to 51 million barrels in 1982.

Sixty million barrels compared to 51 million barrels in 1982 — your figures — an increase of 17.6 per cent.

AN HON. MEMBER: — A good increase.

HON. MR. BLAKENEY: — Yes, a good increase. I now refer you to page 25. We're at the top of the second column on page 25.

The average 1983 Saskatchewan crude oil price of \$186.19 per cubic metre represented a 17 per cent increase above the \$159.38 per cubic metre average for 1982.

So we had an increase in price from \$159 a cubic metre to \$186 a cubic metre. That's an increase in price of 16.8 per cent. So we had an increase in production of 17.6 per cent on your figures, an increase of price of 16.8 per cent on your figures.

A simple calculation will show that the value of oil produced in Saskatchewan went up from roughly \$1.2 billion to \$1.708 billion — 1.77. And there's no difficulty working that out. One simply has to convert barrels to cubic metres or vice versa and work it out. That's a 37 per cent increase in the value of oil production on the basis of the figures you give us.

Now I wish you to turn to page 8 where you say revenues; and you say decreases in oil and gas and uranium revenue were partially offset by increases in potash and other minerals. And you tell me that the oil and gas revenues decreased from 701 million to 639 million, a decrease of 1.7 per cent.

Now on your figures, Mr. Minister, in your book, you have an increase in volume of 17 per cent and an increase in price of 17 per cent, producing an increase in the value of 37 per cent. Now that's what the companies got in addition in '83 over what they got in '82, and from that you extracted 1.7 per cent less in revenue — 1.7 per cent less in the face of a 37 per cent increase in revenue.

One can quibble about this or that small item. The direction, Mr. Minister, is absolutely overwhelming that you are collecting a far, far smaller per cent of royalties per gross dollar of production than was previously the case. You would not need particularly to rely upon your figures, but they are certainly very, very convincing.

If I were to quote the Saskoil figures, they would show that each year they pay a smaller percentage of their gross take in royalties.

We've already noted that in the consideration of the Saskoil annual report for 1984, and I'm now comparing a different period, admittedly, but their gross royalties increased by 24 per cent, 25 per cent. Their gross yield from sales increased 25 per cent and the royalties 2 per cent. That's 1984. We haven't come to that yet.

In 1983 the oil industry received 37 per cent more . . . The oil industry received 37 per cent more by your figures and paid 1.7 per cent less.

In 1984 we can expect the same trend to continue because we have Saskoil's report indicating that their revenues went up 25 per cent and their royalties went up 2 per cent in '84. And I'm now dealing with the figures which you gave us in your annual report, and I invite anyone to look at pages 4 and 25 and 8 in succession, and they will show you how much volume has increased, how much price has increased, and how much royalties overall have decreased.

And I say to you, Mr. Minister that in a year when the value of the oil produced, the gross value that the oil companies took in, went up over 37 per cent, and you collected 1.7 per cent less, that you are giving a handsome break to the oil companies.

It's small wonder that we are going to deal in this session with a series of Bills increasing taxes on ordinary people. I'm not going to deal with the elements of those tax Bills because Mr. Chairman would call me to order. But I am certainly going to point out that the origin of them, the basic origin of them, is here, where we have large increases — large increases — over \$500 million increase to the oil companies, and not one penny additional in revenue from the oil companies.

A 1.7 per cent decrease in the face of an increase in revenues from, by my calculation, \$1.20 billion to \$1.77 billion.

That is a lot of money. That 's just \$500 million of which you collected zero. You collected minus 1 per cent. And you wonder why the citizens of Saskatchewan are asking whether or not they're getting enough from their oil resource.

And I say to you, Mr. Minister, that on your figures when you are seeing this sort of a massive increase in the value of the oil, arising primarily because of an increase in price, and secondarily, but in a major extent, to increase in volume — and you're getting even less money than you got the previous year.

I say that you're not being the proper shepherd of these resources for the citizens of Saskatchewan, and it's small wonder why you are now asking them to pay additional money — to give up their home owner's grants, their property improvement grant; to pay more when they buy a second-hand car; and to pay a flat tax. All these you're asking because you are very clearly collecting far, far less as a percentage from oil companies in this year than you did the previous year. Your figures show it, and show it beyond any possibility of contradiction.

HON. MR. SCHOENHALS: — Mr. Chairman, obviously the Leader of the Opposition wants to get something on the record. Let's take a look, however, at the meaningful numbers — and I won't dwell on it to any great extent. You have indicated that the value of production is up 37 per cent. I believe that was the number you choose. We have no argument with that.

In looking at the actual numbers for 1982-83 as compared to '83-84, in terms of revenue, and I am considering royalties, taxes, bonus bids, less incentives — in other words, we're discussing net. In 1982-83, the actual revenue was \$425.1 million. In 1983-84 that number rose to \$605.3 million. Now if I do a quick calculation, that gives us an increase of 42.4 per cent. And if there's an increase in value of 37 per cent, I would suggest that an increase of 42.4 per cent in provincial revenues is rather reasonable, to use a term.

However, I think that the point has to be made that what the Leader of the Opposition is saying, that they' believe that we should be maximizing revenue, that is basically their only objective in terms of resource management — maximize revenue to the Crown. We don't disagree with that, but we have a couple of other objectives that we think are, if not as important, certainly important.

I would suggest that jobs and economic activity are important objectives of our policies as well. I speak about jobs in the oil patch in this case; jobs at Ipsco; jobs at Genstar; jobs at a new polyethylene pipe plant in Saskatoon — somewhere just under 4,000 new direct jobs resulting.

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But if you accept he first objective, maximizing revenues to the Crown, let's go back and look at what happened under the policies that you had in place. And I'd like to discuss the policies that you would institute if you ever returned to power (God forbid), but it's very difficult. The government in Manitoba will come out and say: our royalty rates, which happen to be 40 per cent lower than Saskatchewan's, are the right ones, so we will increase . . . We'll put a tax on consumers, in their recent budget. They're prepared to step out and say what their policy is.

The NDP in Alberta are very prepared to step out and say what their policy is. Their policy is: copy Saskatchewan. Do exactly what Saskatchewan is doing, because it works to everyone's benefit.

The leading resource writer in Calgary, Mr. Horst Heise, was in town a couple of weeks ago. He was reviewing, preparing material for a story, a follow-up story on the western accord. Mr. Horst Heise is very familiar with the NDP policies in Alberta, and he wanted to determine what the policies in Saskatchewan were. And I'm not sure whether he spoke to the Leader of the Opposition or one of his caucus members. He did speak to people from your party. In telling me about the conversation, he said the NDP were evasive.

Mr. Chairman, they're evasive about what their policy is in terms of resources. But the policy that they had in place when they were in government was basically one of high royalty rates. They had an incentive scheme. Everyone has an incentive scheme. They had one. It was primarily an incentive scheme that benefited large oil companies.

You were prepared to every well drilled in Saskatchewan, even a dry hole, to give the oil companies \$169,000. That was what you said: that's what we'll give you. You gave back 75 per cent of their costs, over 20 per cent of your revenue. And if that's not a give-away, I would wonder what the definition of the term was. They took your money, and off to Alberta they went.

And as I've indicated, it's important, when we compare revenues from your period and ours, to discuss net revenues. There's no incentive program to take off our numbers.

You have numbers in the book — fine. You also have another column that shows \$60 million a year going directly out in payments. And at the time we dropped it, that program had developed a \$300 million liability for this province. In fact, if your program had been in place and we had got the activity that we've gotten in the last three years, you would have built up over a \$1 billion liability, primarily to the large oil companies, because it's the large oil companies who had production in those days.

(1645)

But let's look at it then. If that's the program, fine. That's the program in place. What were the results? What were the results, Mr. Chairman? Production was down. Reserves were down. There had not been an increase in reserves. Jobs were lost. Companies were leaving the province, heading across the western border, heading across the southern border.

They had in place, Mr. Chairman, something called the DCAP program. They were so ashamed of this program they didn't even run it out of the Department of Energy and Mines. DCAP stands for disruptive circumstances assistance program — disruptive circumstances assistance program. They literally paid service companies not to work. If there was no job — don't run away; we'll pay you not to work. In fact, every service rig in this province immediately, within a period of two weeks, went from a three-man crew to a four-man crew, so the people could pay that.

Now let's take a look at what we're doing, whether we're meeting the objectives of getting a fair share from the oil industry. All right, what about our royalty rates? The highest royalty rates in Canada; higher than Alberta; 50 per cent higher than Manitoba, and Manitoba says theirs are good — I think it's an NDP government there — higher, in fact, Leader of the Opposition, than your 1982 rates. They are higher.

All right, we've introduced the new incentives scheme. And I've already indicated what yours cost. All right, for the program — that I don't think anyone familiar with the industry will argue — is directed at the heart of the Saskatchewan industry, which is the small independent company.

In fact, as a result of the program, there are over 400 new oil and gas companies registered in the province of Saskatchewan in the last two and one-half, three years — over 400 new companies. And I don't think of that 400 very many are the infamous multinationals that we hear so much about coming from the other side of the floor.

There have also been over 130 new servicing companies start up in this province. All right. And what's the cost been? We could talk about the 3,800 new jobs — we've mentioned that. What's the cost? Now you were prepared to pay \$170,000 a well. All right. Ours cost — not that— something in the area of \$52,000 a well. And we only pay the successful wells; we don't pay dry holes.

More than . . . Other results: more than 4,000 direct jobs; more than \$700 million invested in Saskatchewan in 1984. We have doubled, doubled our royalty tax revenue since 1981. We have increased our overall revenue in a period when the export tax has been declining, as I'm sure you're aware, due to a lowering world price and a rising Canadian price.

We have gotten to the point where revenue from the oil industry is the single largest contributor to the provincial treasury. One out of every \$4 comes from this industry.

I believe, Mr. Chairman, that we have done a rather commendable job of being stewards of this resource.

SOME HON. MEMBERS: Hear, hear!

HON. MR. SCHOENHALS: — I believe that the people of the province understand that we will continue to do that. And I don't believe that there are too many people asking a lot of questions about the programs that were in place under the previous administration.

HON. MR. BLAKENEY: — Well Mr. Chairman, and Mr. Minister, I'll make a few brief remarks following that rather remarkable presentation. Did you hear him say we have got to the point where oil revenues were higher than personal income tax? All I can say is well, well, where has he been? Where has he been? Wasn't that true in, let's say, 1979-80? If you don't believe it, look at the *Public Accounts*. When wasn't that true in the last few years? When wasn't it true? Look back a few years and you will find that that was certainly true, that it was certainly true before and it is true now. Big deal. Big deal.

But I want to come back to the nub of what he said, and I want to argue from his figures — not from ones he pulls out of the air, but from ones he prints in this annual report . . . (inaudible interjection) . . . I hear members opposite and behind me saying, let's try the net figures. And I say, all right, let's try the net figures. The net ones as stated in this book — not ones pulled out of the air, but in this book.

All right. What was received in oil and gas in 1982-83? According to page 8 it was 701 million — 701 million.

What was paid out in compensations, incentives and compensation, the program which the minister feels was inappropriate? Never mind whether it was inappropriate or not. What was paid out on it? On his figures, 60 . . . \$57 million.

So that yields a net return in '83-83 of 645 million . . . (inaudible interjection) . . . All right. In 1983-84, he took in 689, and he paid out 25 . . . 35, so he got \$654 million. He got \$10 million more on a net basis.

Mr. Chairman, I've gotten a lot of help from people on my left, and I just bet you not one of them will stand up and enter the debate. I just bet you that they are people who do not have the figures available to them, and they are simply shouting from their seats.

I want to argue from the minister's figures. Even on a net basis . . . (inaudible interjection) . . . I'm going to wait, if I may, Mr. Chairman, until . . .

MR. CHAIRMAN: — Order, order! Allow the member to make his comments.

HON. MR. BLAKENEY: — I say that even using the minister's figures on a net basis, on a net basis, he has collected perhaps \$40 million more — perhaps 1 or 1.5 per cent more. He is claiming that we should not use the gross figures, but the net figures. He puts the net figures in his report. They're all there for those who can read, and perhaps someone would read them to the member for Cut Knife-Lloydminster.

You will find that we have an increase of perhaps 1.5 per cent on an increase in the value of oil production of 37.2 per cent. There is no way to argue against that. It is an extra, even on his figures, \$10 million he took out of the \$500 million the oil companies got — \$500 million. They got 1.77 billion compared with 1.29 billion. And out of that \$500 million he took on a net basis (and which he urged me to calculate it on that basis) an extra \$10 million, and left the \$490 million to the oil companies.

And there is no way that he could argue around those figures. It's not much point for him to pull figures out of the air. I invite him to address page 4 of his report indicating revenues, incentives and compensations, and he will see that my figures are the right figures.

HON. MR. SCHOENHALS: — Mr. Chairman, just very briefly in this numbers game we're playing here. He has indicated the numbers. Let me indicate where the net value comes from. All right.

The significant aspect of 1982-83 was in export tax payment — \$217.4 million in export tax payments. Now it's important to note that the majority, a large portion of that, was not even from that year. It was a two-year payment that had been late coming to us. Consequently, it's in there because that's when we received it. It had nothing to do with the production that year, and in fact I tend to believe you're probably aware of that.

The second point: the export tax payment in the 1983-84 year amounted to 44.2 million. You net as well, the incentives — all right? — less your incentive program, which is the only net. In 1982-83 there was a payment of \$57.8 million. In 1983-84 it was \$35 million. Consequently, again the net figures that we arrive at are the ones that I gave you. All right. Now there's been some minor revision, but it continues to be in the area of 42.4 per cent increase, for 425.1 to 605.3 — again, as I indicated, I think substantial.

I think it's still important to note the other benefits that have flowed to the province. I don't think anyone debates those. I think they're very obvious in terms of the jobs that I mentioned before, the economic activity, the attitudes, and the increases in production reserves - -the whole thing.

I think those things have to be calculated into it. I think even on this specific issue we can demonstrate that we are in fact very responsible stewards of this resource.

HON. MR. BLAKENEY: — Mr. Chairman, and Mr. Minister, I don't want to pursue the numbers game. I stand on what the numbers the minister himself has published, and I think that no amount of attempting to fluff them up with new figures which he didn't put in his annual report are going to be very convincing.

With respect to the tax itself, with respect to the export tax, his suggestion that somehow the export tax shouldn't be counted in here . . . Admittedly if it's not for the relevant year I'll concede that point. But to the extent that it's for the relevant year, it is clearly something that you collect instead of royalties. And when the export tax stops, the royalties start, and vice versa.

Because clearly when . . . You only collect the export tax when your price is substantially below the world price, and when the export tax drops off because the domestic price is moving up, then you have a great deal more on which you can apply royalties. And when the royalty rate is

what you claim it is, it doesn't make much difference.

I'm sorry, Mr. Chairman. I'll just await another opportunity, if you don't mind, because I'm having a good deal of trouble making myself clear.

With respect to . . . Well, I'll just sit down. It's not . . .

Item 1 agreed to.

Items 2 to 5 inclusive agreed to.

Vote 23 agreed to.

SUPPLEMENTARY ESTIMATES 1985

CONSOLIDATED FUND BUDGETARY EXPENDITURE

ENERGY AND MINES

Ordinary Expenditure – Vote 23

Item 1

HON. MR. BLAKENEY: — Mr. Chairman, and Mr. Minister, can you say briefly what that extra million dollars was for in admin services? That's a very large . . .

MR. CHAIRMAN: — Order, order. Page 3 of the supplementaries.

HON. MR. BLAKENEY: — Mr. Minister, the original vote was 2.7 million and the addition is three-quarters of a million. It's really quite a large amount. It's not a simple overrun in your costs of carbon paper or something. I wonder what substantial additional amount was for . . . and you can cover the petroleum and natural gas if you would like, because I'll ask the same question. If you could cover that, we'll . . .

HON. MR. SCHOENHALS: — Mr. Chairman, the supplemental expenditure there is for a new unit that we set up in the department during the past fiscal year. I believe the term we've adopted is "major projects unit". It's led by Mr. McPhee who you met earlier. It was a result of the two upgraders and a number of things that are going on — a necessity, obviously, to protect the province's interests.

It's made up of salaries, some other costs and some consulting costs that were necessary, you know, as we went through the upgrading process. And so that's what the expenditures is for.

Item 1 agreed to.

Item 2 agreed to.

Vote 23 agreed to.

(1700)

SASKATCHEWAN HERITAGE FUND

BUDGETARY EXPENDITURES (RESOURCES DIVISION)

ENERGY AND MINES

Ordinary Expenditure – Vote 1

Items 1 to 4 inclusive agreed to.

Vote 1 agreed to.

SASKATCHEWAN HERITAGE FUND

BUDGETARY EXPENDITURE (ENERGY SECURITY DIVISION)

ENERGY AND MINES

Ordinary Expenditure – Vote 47

Item 1

HON. MR. BLAKENEY: — Mr. Chairman, and Mr. Minister, this \$19 million: under what program is that being paid out of? Is that the old program that we have already discussed?

HON. MR. SCHOENHALS: — That's the old incentive program that we're paying out as a result of the agreement we struck when we introduced the new effective program.

Item 1 agreed to.

Items 2 to 5 inclusive agreed to.

Vote 47 agreed to.

SASKATCHEWAN HERITAGE FUND

LOANS, ADVANCES AND INVESTMENTS (ENERGY SECURITY DIVISION)

ENERGY AND MINES

Vote 63

Items 1 and 2 agreed to.

Vote 63 agreed to.

SUPPLEMENTARY ESTIMATES 1985

SASKATCHEWAN HERITAGE FUND

BUDGETARY EXPENDITURE (RESOURCES DIVISION)

ENERGY AND MINES

Ordinary Expenditure – Vote 1

Items 1 to 3 inclusive agreed to.

Vote 1 agreed to.

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

The committee reported progress.

The Assembly adjourned at 5:10 p.m.