

LEGISLATIVE ASSEMBLY OF SASKATCHEWAN

December 2, 1985

EVENING SITTING

ADJOURNED DEBATES

SECOND READINGS

The Assembly resumed the adjourned debate on the proposed motion by the Hon. Mr. Schoenhals that Bill No. 119 — **An Act respecting Saskatchewan Oil and Gas Corporation** be now read a second time.

HON. MR. SCHOENHALS: — Thank you, Mr. Speaker.

When the House recessed for supper we were discussing ownership of Crown corporations. I had pointed out that the significant difference between ownership as practised by the previous administration and ownership as it will result when Bill 119 becomes law, is that people in Saskatchewan for the first time will have a choice on whether they choose to invest in a Crown corporation or merely remain a passive investor in terms of government ownership.

In the corporate — in the ownership structure that is envisaged, obviously people will have both opportunities. And I think that's a significant difference, Mr. Speaker.

There's one other element of ownership that should be discussed, Mr. Speaker. That is in terms of corporate answerability, or corporate responsibility. Under government ownership, one of the arguments put forward by the member from Quill Lakes in this Assembly this afternoon was that Crown corporations provide government with an eye on the industry.

Mr. Speaker, if Saskoil, under government ownership, was providing the window on the industry that resulted in the policies in the oil sector that were put in place by the previous government, then I would suggest that Saskoil was not providing a very good window because they put policies in place that literally closed the industry down in this province. Under the mixed ownership it is quite possible, and as was stated very clearly in a *Leader Post* editorial, we will see a much more realistic window on the industry provided since the corporation will have to respond the same way that the private sector corporations do.

So, Mr. Speaker, I think the question of ownership is really one that under this structure will be a much more positive element. If you take the arguments of the New Democratic Party to their natural conclusion, the only conclusion you can reach is that they in fact believe that government are the only people in this province capable of making the investment decisions and the business decisions that need to be made. This party and this government does not share that concept. Mr. Speaker, we believe that Saskatchewan people, the average Saskatchewan citizen, is quite capable of making those types of decisions, and I believe that the mix of government in public ownership will be a very positive result once Bill 119 becomes law.

Mr. Speaker, the members of the opposition suggest as well that the people of the province will somehow lose some of the benefits that they would normally enjoy from Saskoil if it did in fact remain strictly a Crown corporation. There are some facts that need to be considered here, Mr. Speaker.

First of all, \$75 million will flow to the Heritage Fund and will be earmarked for use in agriculture, job creation, health and education. For the first time, Mr. Speaker, there will actually be dollars in the Saskatchewan Heritage Fund. And when you compare that to the concept of a Heritage Fund that has been espoused recently by the Leader of the Opposition in Saskatoon on a radio show in early November, he indicated that it was never intended that there would be dollars in the Heritage Fund to build nursing homes and hospitals.

Mr. Speaker, we are putting 75 million in the Heritage Fund to go to health, education, job creation

and agriculture. And I believe, Mr. Speaker, that there will be significant benefits for the people of the province from that simple fact.

However, Mr. Speaker, it does in many ways stretch credibility to hear the members of the opposition talk about the benefits that could have, or should have, or might flow from Saskoil, and now will not flow to the people of the province.

Once again, let's look at the facts, Mr. Speaker. The New Democrat Party for nine years was responsible for Saskoil. In that time Saskoil seldom made a profit, and in nine years never paid one single dime of dividend to the people of Saskatchewan. So I think it is stretching it a little bit to suggest that Saskoil was going to be a great fountain of money.

In 1981, Mr. Speaker, when we became government — in 1982, pardon me — what did we find? It should have been '81. What did we find, Mr. Speaker? Saskoil was a 10,000 barrel-a-day oil company. It was staffed to the level of a 50,000 barrel-a-day oil company, and it had the research capacity of a 100,000 barrel-a-day company.

Mr. Speaker, the corporate plan that was adopted in 1981 by the previous administration would not have had Saskoil make any profits until into the 1990s and yet they proposed to double the staff by 1986. Corporate plan adopted in 1981.

As I indicated, Mr. Speaker, it seems to me that to argue that there will be significant benefits that will not be enjoyed because of the results of the share issue that will flow from Bill 119 is not supported by the present facts, is not supported by the past performance of the corporation under their government, and certainly isn't supported by the plans that they had in place as far as the future is concerned.

Mr. Speaker, a third argument that the opposition made had to do with the affordability of the shares in which people in Saskatchewan could, in fact, or would, in fact, purchase the shares. Again, the facts are relatively straightforward. The shares will be sold in units: two preferred convertible and one common share in each unit. Selling price of the unit is \$29.

As my colleagues have indicated, while there is some risk involved in this investment, there's much less risk involved in a savings bond. The most inexpensive Canada Savings Bond costs \$50; the bonds that we sold very successfully, the least expensive was \$100. It seems to me that the unit price of \$29 is within the reach of most people if they choose to invest, Mr. Speaker. And again it's the matter of choice that is the key element here.

We have indicated that we will fill orders as small as one unit, which is probably the only unique element in this offering, and that we will fill all the small orders in Saskatchewan first so anyone who wishes to expend the \$29 will obviously get to take part in the issue.

To fit the \$29 into perspective, Mr. Speaker, the member from Shaunavon last night spoke of going out to dinner and he indicated that they, so I would assume there were three or four of them possibly, asked the waiter if he was going to buy shares. He indicated he would have liked to but he couldn't afford it. Mr. Speaker, if they had left a reasonable tip and if two other people in the same restaurant left a reasonable tip, that waiter, could, if he chose to — and it's the element of choice that's important here — could very well have purchased a unit of Saskoil shares, and I indicate that only to put it into perspective, Mr. Speaker.

Mr. Speaker, the member from Shaunavon again suggested that the farmers in the south-west would not be purchasing shares.

Mr. Speaker, I think that myself, as an urban member, and certainly all the members of this government, have a great deal of concern for the problems facing the agriculture sector and specifically the drought problems of the south-west.

But it is interesting to note, Mr. Speaker, that south-western Saskatchewan has in fact been the most active area in terms of expressions of interest in rural Saskatchewan as far as shares are concerned. So, Mr. Speaker, I think there are some people at least in south-western Saskatchewan who are very interested in these and do find them very affordable.

They indicated as well that working people would not be able to afford shares, Mr. Speaker. I can tell you that the majority of the people who work for government, I think, would be classified as working people. We have had expressions of interests from almost 20 per cent of the government employees in Regina in this offering.

Saskoil employees again have demonstrated a great deal of confidence in themselves and in their corporation by, in large numbers, expressing their very real interest. And I think that Saskoil employees would be classified as ordinary working people.

Mr. Speaker, in the town hall meetings we held around the province, the one group that was probably predominant in attendance were senior citizens. It seemed to me rather — well ‘amazing’ may be too strong a word, but it was very interesting at least. The number of senior citizens who attended the meetings indicated they were interested in purchasing shares, and many of them were interested in purchasing them for grandchildren and children. And many senior citizens will take place.

Many other working people, again possibly indirectly, but through their pension funds, will become shareholders in Saskoil.

The fact of the matter is, Mr. Speaker, that the shares available, that they are affordable, and I believe that the people of Saskatchewan will respond to this offering and to the affordability and availability of shares in a manner that we have never seen before in this province.

Mr. Speaker, there were indications as well that the marketing program was somehow unsuccessful. And might I suggest that in this case — I might not suggest that he did it intentionally — but I believe the member for Regina Centre again misled this House when he suggested that there were 12 people in attendance in Assiniboia, six in Wynyard, and 25 in Saskatoon, I believe were his numbers. I believe he knew better, Mr. Speaker. In Assiniboia there were over 60 people in attendance, which was about normal for most of our noon-hour small town meetings. And I believe he knew that, because Assiniboia is not a big town, and despite the fact that not many people talk to him, the member for Assiniboia-Gravelbourg would have known that there was a good attendance.

It was interesting, Mr. Speaker, while I was in Assiniboia for about four hours, there was one name that kept popping up wherever I went. It's interesting how often I heard the name of Bill Fancourt. Mr. Speaker, I think possibly that the member from Assiniboia-Gravelbourg should keep his eye in the rear-view mirror because somebody is gaining awfully quickly.

In Wynyard we did not have as good a turn-out. We had 18 people. In Saskatoon, we had over 300 and the member indicates 25. I wonder if he will do the honourable thing and stand and apologize for misleading this House.

Mr. Speaker, some simple facts about the marketing program and what has happened. In the road shows around the province, we visited over 3,000 people. There were 27 of them and we talked to a goodly number of people throughout the province, and I'm sure that they in turn have talked to many others. We have had over 8,000 unsolicited expressions of interest. By that I refer to the toll free phone number that has been put in place and the coupons that have been mailed in. Those numbers say nothing about the number of people who have been approached by or have approached investment dealers throughout the province.

So, Mr. Speaker, I think the bottom line is that the marketing program has been very successful. It has been well received and it will be part of the reason why this issue will be possibly one of the most

successful issues ever initiated in western Canada.

There were also comments, Mr. Speaker, about the ad campaigns. I believe I should make a couple of comments about the ad campaigns that were put in place. The decision to go with some extensive advertising grew from the two complaints, and the only two complaints, that came from the bond issue. Many people in Saskatchewan, Mr. Speaker, said they had not been aware of the bond issues. Many others said that they had been gone, or were gone, before they had the opportunity to purchase them.

There was a commitment that was made to make sure that this issue was first of all, known about; secondly, well understood; and thirdly, accessible. And here, of course, we had the decision to market this issue through the banks, credit unions, and trust companies, which the Leader of the Opposition indicated today was a fatal mistake — and we will discuss that in a little more detail a little later. It was also the reason why we went with a rather extensive advertising campaign.

(1915)

The new member from Regina North East indicated that the ad campaign was full of rhetoric. I would challenge him to stand and indicate where there was rhetoric in the ad campaign that was, in fact, full of facts. They were very generic, factual, and were for a very specific purpose. Then of course, having heard his ads in the recent by-election, I can understand why he has a little problem separating rhetoric from fact. But the bottom line is, Mr. Speaker, that the marketing campaign was very successful and that the issue will be equally successful.

One other point, Mr. Speaker, and again the member from Shaunavon indicated that he did not feel that this was really a good deal, that it was not a good buy. Mr. Speaker, again that demonstrates inconsistency on the part of the opposition. In *MacLean's*, the Leader of the Opposition states very clearly that, and I quote:

... that even Blakeney concedes that the shares are a good investment. 'if I were not an MLA, I would likely buy some myself,' he confessed.

I suggest that the people of Saskatchewan agree with your leader and not with you.

Finally, Mr. Speaker, in terms of some of the things that have been indicated, it has been suggested that the reasons that we gave for going into this, the results that we anticipated would not, in fact, occur. It was indicated that they did not believe that this issue would stimulate any investment. Mr. Speaker, there will be \$75 million deposited in the Heritage Fund and I indicated where it will be used. It would seem to me that some of those uses could be easily classified as investment.

As well, 25 to 35, or possibly a little more, million dollars will be left with Saskoil. That money will go specifically into capital projects; specifically into capital projects in heavy oil, which is probably the labour-intensive element of the oil industry.

They will have a significant impact in terms of investment in an area of our resource sector that, in the future, will become more and more important. And I suggest that the argument investment will not occur is not true.

As well, Mr. Speaker, this offering will provide a vehicle whereby pension fund money can stay in Saskatchewan to make things happen in Saskatchewan. And that is not a common practice.

It's interesting, as well, to note, Mr. Speaker, that the Alberta Heritage Fund will be investing a couple of million dollars in this issue. And I think that's a rather unique happening in this province, to have money from the Alberta Heritage Fund flowing into Saskatchewan to help create the jobs and economic activity that we want to see here. Again, something that has never happened before.

The argument that it will not create jobs, Mr. Speaker, is again obviously fallacious. Saskoil's capital

programs will have a significant job creation element. The agricultural . . . (inaudible interjection) . . . that has been identified for Heritage Fund money will aid farmers.

Job creation is obviously self-explanatory, and I would imagine that expenditures made on health education will primarily be capital expenditures, and will in fact have a job creation element.

I would suggest, Mr. Speaker, that this issue alone will create more jobs than the purchase of 50 per cent of Saskatchewan's potash industry ever dreamed of creating. Economic activity will also be increased, and again here I would look primarily to Saskoil and the activity in the heavy oil sector, the development of EOR (enhanced oil recovery) projects, of feedstock for the upgraders, particularly the co-op upgrader, but also to a lesser extent for the bi-provincial. As well, Mr. Speaker, the gas policy that the Premier recently announced is an opportunity for Saskoil to diversify, and obviously they need capital funds to take advantage of this opportunity. I think it's safe to say, Mr. Speaker, that there will be economic activity created in the province as a result of this.

The member from Shaunavon also suggested that control of the corporation was slipping outside the province. He suggested that the three board members who we have appointed from outside the province were the example of that. He named Bob Bentall, suggested he's a real estate developer from Vancouver, forgot to announce that he's a Regina native, spent a considerable amount of his time in Regina, has very significant ties to Saskatchewan. He mentioned Ted Hanlon, who presently lives in Calgary but spent most of his adult life to this point in the south-west part of the province, in Swift Current, again significant ties to the province. And he mentioned Ted Renner, who is another Calgary native, the president of an oil company of approximately the same size as Saskoil. And I mention him specifically because he's so typical of the many people of my age and my time who grew up in Saskatchewan, who were educated, and when they graduated from university, in order to pursue their interests had to leave the province because there were no opportunities. Ted Renner's company has been very active in Saskatchewan, and Ted Renner again has very deep roots in this province and some significant ties. So I don't make any apologies for the people we have appointed to the board of directors of Saskoil, and feel that they will make a significant contribution.

Mr. Speaker, the question that remains is why are the members of the opposition so violently opposed to the concepts that have been introduced in Bill 119 and to the results that will flow from it, namely the issuing of shares in Saskoil, an opportunity for the people of the province in fact to invest in the Crown sector.

In second reading we are dealing with the principles of this Bill, and I was very interested recently, Mr. Speaker, to come across a submission to the Crown investment corporation board. This item, agenda item number 6, which required a decision, was put before the Crown investment corporation board in January 1982, approximately three months before the call of the last general election. And the recommendation that was made to the Crown investment corporation board at that time, Mr. Speaker, read:

That the C.I.C. Board approve in principle a program to provide Saskatchewan residents an opportunity to make equity investments in Saskatchewan enterprises through Saskatchewan Holdings and Reinvestment Inc.

An acronym that was chosen was SHAR or share. Secondly:

That a concerted development program be undertaken immediately to establish guiding principles, operating structure and investment scope and final consideration in early February 1982.

Mr. Speaker, the Crown investment corporation board of 1982 was asked to approve in principle a concept very similar to what we are dealing with here in Bill 119.

I'd like to take a little time, Mr. Speaker, before I tell you who was on that board, to just go through this document. Under 'Background,' there's considerable discussion about the Alberta Energy

Company and the British Columbia Resource Investment Corporation, AEC or BCRIC. The conclusions that are reached from this background discussion are that:

These two examples show that there is a substantial latent demand for investment opportunities in the western provinces. AEC raised \$75 million in 1975, and BCRIC raised \$490 million in 1979. The results indicate that there is a substantial amount of liquid capital available to the general public for investment in provincial projects.

And on the next page, Mr. Speaker, there's some guiding principles to provide a mechanism for all residents of Saskatchewan to invest in the province. Not just the friends of government, or the rich, or whatever, but all residents of Saskatchewan.

To provide an alternate source of capital for major new investments in resource enterprises and industrial projects.

Mr. Speaker, they're going to take the finds and expand the Crown corporation sector. And:

to reinforce the identification of a partnership between the Government and the people of the Province in the development of our economy.

Maybe they should have got on with it a little quicker.

Some interesting political consequences were identified.

Other Saskatchewan political parties will undoubtedly make similar proposals in the future (and) . . . if the private equity infusion is substantial, the province could be in a better position to avoid long-term debt for the Consolidated Fund with the consequent reduction in interest costs.

Mr. Speaker, then there is one substantial difference — one substantial difference — between the offering of shares in Saskoil and the share offering that they propose. They propose to put the following corporations in a package and allow people to invest in them: Ipsco, Prairie Malt, Agra, Intercon, SED, Cablecom, PAPCO, Nabu, and the Cornwall Centre. Mr. Speaker, I'm not intimately familiar with all of these, but I suggest that an investment in Saskoil is a whole lot better looking investment for the people of this province than this package.

It's interesting, as well, Mr. Speaker, that there was some down sides identifies with each of these potential investments, and I only go into these to indicate the type of government that was in place here. Ipsco indicated CIC would lose the ability to influence the company toward an aggressive expansionary role. That simply means there wouldn't be quite as much political interference. Prairie Malt — the cost overruns on construction and operating losses to date would have to be disclosed. It doesn't appear that they wanted to issue a prospectus on that one, Mr. Speaker. Agra — likely market value would only be about 50 per cent of CIC's book value. Intercon — besides exhibiting low returns in capital, the original costs and current value would be disclosed, and it goes on and on. The Cornwall Centre — it might be interesting; in the early years of the project will have very low returns, but it will be a source of regular income.

And then there's some mechanism points, Mr. Speaker, and I think this is where it gets extremely interesting. It would be desirable to have as wide a distribution of shares as possible, but a 1 per cent individual limit and a 3 per cent institutional limit. Initial offering would be through credit unions and banks to ensure widespread distribution. I would direct attention to the comments of the Leader of the Opposition this afternoon when he indicated that that was a very poor decision on our part.

He said as well that shares would be listed on Canadian stock exchanges to provide the required liquidity. It's a big scare that the control of all these magnificent corporations would flow outside the province. There are other comments about payroll deductions, the possibility of 40 to 60,000 people involved.

Another segment of the Saskatchewan population could be reached by having the holding company issue bonds or debentures for sale in the province. That's novel. And finally, a policy of not paying dividends in the initial years and, thereafter, only at a low rate would also have to be explained in terms of a requirement to reinvest for long-term gains. Finally, Mr. Speaker, in financial implications even with a modest variation of the program, say excluding PAPCO and Intercon — they were deemed to good I guess — a pool of capital of about 50 million to 100 million could be raised.

In summary the government will not be able to recoup its current investment in the various entities but it will be able to raise a substantive amount of capital for new industrial or resource projects under an innovative, aggressive, new investment company.

(1930)

Now, Mr. Speaker, the board members on that January meeting, the Hon. Elwood Cowley was the Chairman; he was absent that day. Hon. Allan Blakeney, current Leader of the Opposition, was absent as well, but I'm sure was fully aware of what was in the document. The Hon. Walter Smishek, the Hon. Ted Bowerman, The Hon. Don Cody, and the Hon. Ed Tchorzewski, as well as Eiling Kramer and G.H. Beatty, made up that board.

Now, Mr. Speaker, I would imagine that having sat in this House and listened to the debate that took place on the principles of Bill 119, the adamant opposition that the opposition have put forward, it would be safe to assume that that recommendation was immediately rejected. Probably the bureaucrat that dared bring it forward was summarily fired and they got on to the more important items.

But then we have the minutes of that meeting, Mr. Speaker, which would be part of the agenda for the February meeting of the Crown investments corporation. Item 7 said:

The Board reviewed a management paper which outlined a proposal for providing Saskatchewan residents with an opportunity to invest in provincial industrial development projects and, at the same time, generate a new pool of capital which would allow the province to take advantage of large industrial projects in an era when capital rationing for Crown investments has become a reality. The Board discussed at length some of the issues related to such a possibility. These include the need to do an adequate selling job (i.e. making it clear to investors that share appreciation rather than large dividends is the main argument for the investment); the need to transfer some current investments with good prospects e.g. IPSCO and PAPCO although such a step would reduce the control C.I.C. has in these companies; and the difficulty of meeting the two objectives at the same time, and so on.

And then Mr. Speaker:

Following the discussion the Board agreed:

- (a) To approve in principle a program to provide Saskatchewan residents an opportunity to make equity investments in Saskatchewan enterprises through Saskatchewan Holdings and Reinvestment Inc.

Mr. Speaker, they agreed in principle. And we are asking now what their agreement in principle will be on Bill 119. It is basically the same principles. There are two differences, of course. One is in the calibre of the investment opportunity and the other is in what the money would be used for. Where we proposed to put in the Heritage Fund and use it for incremental programs in health and education and agriculture and job creation, they chose to use it to expand the Crown sector and to take the government further into the economy of the province.

Mr. Speaker, it raises in my mind a couple of questions. One would be if the heavyweights of the

NDP cabinet were prepared to accept or agree in principle to an investment opportunity for the people of the province in 1982, why are they so adamantly opposed to the same principles in 1985?

Mr. Speaker, there are two possible answers. One is simply that they have had a change in policy; that would not be unusual. We've seen some significant changes in policy. Certainly in the question of uranium mining we've seen a very significant change in policy. The other possibility of course, Mr. Speaker, has moved slowly but perceptively to the left and has become controlled by the left wing of the party. Possibly, Mr. Speaker, that is the reason for the change, and that they no longer agree in principle with what is being proposed.

Mr. Speaker, one other question that I cannot help but wonder out loud about, is if, in fact, this was agreed to in principle in 1982, in January, why did it never become an issue in the '82 election? They had a perfect opportunity to go to the people and say this is something we have agreed to in principle. Shades of 1975, Mr. Speaker.

Regardless, Mr. Speaker, I think that what we have in front of us is a Bill that does, in fact, provide for the people of the province an opportunity to become involved in direct investment in the Crown sector of Saskatchewan. It is an opportunity for the people of the province for the first time to make a choice. If they don't want to invest, there's no compulsion, but they now have a choice. I think that's a significant element, Mr. Speaker. I think that this issue is a good investment opportunity for the people, that it is a good decision for Saskoil as a corporation, and that is good for Saskatchewan.

And, Mr. Speaker, I await the great interest to see exactly how the opposition vote on this question.

SOME HON. MEMBERS: — Hear, hear!

Motion agreed to on the following recorded division.

YEAS — 41

Birkbeck	Schoenhals	Young
Andrew	Dirks	Weiman
Berntson	Currie	Rybachuk
Lane	Sandberg	Caswell
Rousseau	Klein	Hampton
Duncan	Dutchak	Gerich
Katzman	Embury	Schmidt
Pickering	Martens	Muller
Hardy	Maxwell	Glauser
McLaren	Smith (Moose Jaw South)	Sauder
Garner	Folk	Zazelenchuk
Smith (Swift Current)	Muirhead	Johnson
Myers	Petersen	Morin
Hepworth	Hodgins	

NAYS — 8

Blakeney	Engel	Lusney
Tchorzewski	Lingenfelter	Shillington
Thompson	Koskie	

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. 118 — **An Act to assist NewGrade Energy Inc. in establishing a Heavy Oil Upgrader in Saskatchewan** be now read a second time.

HON. MR. BLAKENEY: — Mr. Speaker, I addressed to the House some remarks with respect to this Bill previously, and therefore I will not need to detain the House over-long on this. I simply want to in part repeat, and in part outline some of our positions with respect to this Bill.

First, I have a few basic points to make. I am a member for Regina and of course the prospect of a viable heavy oil upgrader for Regina is a very happy prospect for Regina and we welcome the advent of an upgrader project. If it comes about, and I expect it will, and if it proves to be viable, as I expect it will, it will be a welcome addition to strengthen and diversify the economy of Regina and the whole provincial economy.

To the extent that the project provides some employment in Regina, it will be particularly welcome. All members know, particularly those members who were canvassing in Regina North East, the government members who were canvassing there, in the area where the upgrader will be located, know that jobs and job security are a major issue for the people of Regina North East, and for people of Regina generally. Particularly in Regina, there have been some 4,000 jobs lost in the last 12 months by our calculations, and certainly anything that will stimulate employment in Regina is more than welcome.

There is today some 8,080, I will say, unemployed people in Regina, and when the upgrader is in full operation and they have a staff, an additional staff of 80, there will be 8,000 unemployed. And while that is hardly a large bite of the unemployment rolls in Regina, it is a start.

(1945)

We have some questions to raise and some comments to make about the financing of the project, and I want to turn to some of those now. It is really quite a remarkable financing package. A remarkable financing package, because 100 per cent of the risk is borne by the taxpayers — 100 per cent. It is, as to risk, 100 per cent a Crown corporation, as to risk.

Over the past months we have heard the PC government abandon and jettison its failed economic policy. It launched its term of office with an economic policy of open for business, that we were going to have encouragement of the private sector, and there was going to be an inrushing of companies, and there was going to therefore be a substantial increase in manufacturing employment and employment generally. That has totally failed to happen. Nothing.

They've changed their policy; they have scrambled around to find something that might look like an economic policy; and they have settled upon what essentially government sponsored and government financed projects.

PC government members opposite will recall the long, dreary speeches which we heard in 1982 — and they were still uttering them in 1983 — about the wonders of the open for business policy, the open for big business policy which was somehow going to have a flood of people coming into here, into this province, and how the investment dollars would pour in and there would be jobs and economic opportunity and widespread prosperity.

Well we haven't heard one of those for a while. We haven't heard one of those for a while. We haven't heard anyone suggesting an 'open for big business II.' We've heard Rocky II and many others, but not 'open for big business II.' The first one was a great extravaganza in the fall of 1982 and we have not heard anything from it since. Open for big business was a bust. The promise was made and the promise was broken. The glossy economic policy was unveiled and failed, and now it's

abandoned.

Well we now have what is essentially a new policy, as I've indicated, one depending upon government financing of essentially government projects. I call it megapromises of megaprojects. We had the first inkling of that when the Minister of Economic Development published a booklet outlining all of the projects, the major economic projects which were under way.

AN HON. MEMBER: — That's the one with the famous picture?

HON. MR. BLAKENEY: — No, that's not the one with the famous picture. It was another booklet which I believe added up economic projects of something over \$9 billion. I went through the projects and I picked out those which were governmentally sponsored, and it was virtually all of them. He had the Nipawin Dam, and he had Poplar River, and he had upgraders of the Lloydminster variety and the Regina variety and on and on. But virtually all of them were government projects.

Now we have another wave of megapromises of megaprojects. The heavy oil upgrader in Regina is one and it is a project which, as I say, is as to 100 per cent government project. We have, I suspect, Rafferty dam, perhaps, which we will have announced at the appropriate time. The appropriate spot in the political cycle. We will have no doubt an announcement of a college of agriculture at the University of Saskatchewan and on and on — all of them government projects. Their timing is uncertain but uncertain only in the sense that the political agenda is uncertain. It gets more and more uncertain as by-election results of the kind of a week ago roll in.

I suggest to you, Mr. Speaker, that we need some solid projects. We need some projects which will attract some private sponsorship, not necessarily private sponsorship. And all I can say, Mr. Speaker, when the member for Saskatoon Sutherland chuckles about potash, that if there were as many dollars invested by other private industries as there were by the private potash industry, both before and after 1982, we would welcome those dollars. Yes, indeed. But we're not getting that. We're not getting that investment in the oil upgrading business. I wish we were. I wish we were because we would then have some other indication, some other indication that the projects were financially sound. I certainly hope they are. We all do.

But when a project is sponsored 100 per cent by the government, we have to rely 100 per cent on the government's figures. And I want to underline that for the minister because it puts an additional, and a heavy additional responsibility, on him to make clear to this House the figures on which he bases his recommendation that the taxpayers assume this financial obligation. We clearly must know what the deal is.

There has been a custom in the past that when the government guaranteed money that was being invested in a private venture, that it was so structured that if the venture failed, the sponsors lost money. And I want to underline that. It was so structured that if the venture failed, the sponsors lost money. That was true with the first projects like the cement plant in the mid 1950s — a government guarantee that if the project failed, the sponsors lost money. That was equally true with respect to the pipe plant and then the steel plant which followed it. There might be some doubt with respect to the pulp mill in the mid 1960s, but certainly on one analysis of the figures, if the project failed, the sponsors lost money.

And those projects didn't fail. The cement plant is still there and the pipe plant is still there and the steel mill is still there, and the . . . Yes, and the mill, the plywood mill is still there. And these are all the projects, the major projects, in which the government had guarantees of any significant size.

So what do we have here? We have a very different kind of financial package put forward, a very different kind of financial package. If I understand the financial package, it is one whereby money is going to be borrowed by NewGrade; 35 per cent of the total price is going to be guaranteed by the Government of Canada; 45 per cent is going to be guaranteed by the Government of Saskatchewan — that is, 80 per cent is going to be debt. Certainly a very high figure for an industrial project, but 80

per cent is going to be debt.

And of the equity, as I understand it, 15 per cent is going to be provided by the Government of Saskatchewan directly, and 5 per cent . . . When I say 15 per cent, I mean 15 per cent of the entire project. Seventy-five per cent of the equity is going to be provided directly by the Government of Saskatchewan, and 5 per cent of the entire project or 25 per cent of the equity is to be provided by Consumer's Co-operative Refineries Ltd. To be financed by a loan from the Government of Saskatchewan.

If these facts are incorrect, I know the minister will make it clear. So that from this it seems clear that no private individual could be found who would put any money into the project. No co-operative could be found who would put any money into the project. All the money is being put up, or all the risk taken, which amounts to the same things, by the Government of Canada and the Government of Saskatchewan.

And as for the Government of Canada, they agreed at the outset to cover 35 per cent of the cost. When the Government of Saskatchewan increased its participation, it sought from the Government of Canada an agreement whereby the Government of Canada would move up its share from 35 to 40 and the Government of Saskatchewan got a flat no from the Government of Canada. A flat no. Even the Government of Canada doesn't want any more of this project, not because I think it's necessarily unsound, but because no one else has money at risk except governments.

And this is, as I say, quite unusual for something that is not a Crown corporation. It is for all practical purposes a Crown corporation, because all of the money is being put up by the Crown or all the risk taken by the Crown, and 75 per cent of the equity is going to be directly taken by the Crown.

I hope when the minister rises to close debate he will make clear why there is no private sector participation, why there is no co-op money, other than money which is being borrowed but they don't have to pay it back unless the project succeeds, why all the risk is being taken by the Crown. I hope he addressed that issue — why all of the risk is being taken by the Crown.

I want to move to another aspect, and that is the information which he proposes to give to the House, and I will refer the hon. member, the minister, to the earlier precedents in this House when we have had guarantee legislation before us.

We've had guarantees. I know the figures are different in size, but they all were large guarantees in the context of the day — the cement plant guarantee of 5.5 million; and the steel mill guarantee of, at the outset at least, of \$10 million; and the pulp mill guarantee of \$50 million. And with respect to the Athabasca pulp mill where the guarantee was proposed to be over \$100 million, in each case, Mr. Speaker, the minister of the day laid before this House the agreements which the government proposed to enter into which gave rise to the guarantee. He laid before the House the information on which someone could make a rational decision as to whether it was prudent to guarantee that particular amount of indebtedness.

We will be asking the minister to lay before the House the agreements or the draft agreements which he proposes to enter into with the Government of Canada and with the Consumer's Co-op Refineries Ltd., and the economic studies upon which the government relies, and the financial analysis on which the government relies. I don't think the minister would expect that this House would vote for a guarantee of close to 4400 million without any information about the agreements which are to be entered into or the financial analysis which is the basis of the guarantee.

Having said all that, I repeat what I said at the outset. We welcome the idea of an upgrader, We very much hope that it is successful. We welcome the prospect of the upgrader using Saskatchewan oil. We will call upon the minister to share with the House the basis of his decision making. I, for my part, will be voting for the Bill on second reading. I, for my part, I repeat . . . I seem to have taken hon. members opposite by surprise, except that I announced it once before, that I propose to support this Bill and I do, because I want to see that upgrader and I have no objection to a very substantial guarantee by the

Crown in getting an upgrader. I have not in the past and I do not now.

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It had always been my belief that the Government of Saskatchewan would participate in an upgrader. We just hadn't thought that we would be participating as to 100 per cent, as the Government of Saskatchewan or the Government of Canada. We had not heretofore thought of a Crown upgrader, a purely Crown upgrader. The government now comes forward with that proposal; however surprising it may be for members opposite to come forward with the proposition that 100 per cent of the risk be Crown risk, but that's the proposition. We very much hope that the project goes.

I, and I suspect others of my colleagues, although they will vote as they see fit, will be supporting the Bill and we will be asking the minister to disclose to the House the information upon which he is asking this House to guarantee more than \$350 million worth of indebtedness.

HON. MR. SCHOENHALS: — Thank you, Mr. Speaker. Let me first of all indicate to the Leader of the Opposition that the points he has risen in debate I think can be dealt with in committee and that we will discuss the concerns that he has raised at that time.

As far as the Bill is concerned, once again, Mr. Speaker, this is obviously a very major project. It's an important project, as was indicated, for the city of Regina and it's an extremely important project for the province of Saskatchewan. I think it's important from the job creation perspective and I would suggest that the impact on job creation goes far beyond the 80 permanent jobs that were referred to by the Leader of the Opposition. We would estimate that at least 1,000 jobs will be created in the oil patch, and that doesn't deal with the engineering, procurement, construction jobs, that will be created as well.

Be that as it may, Mr. Speaker, it's also a very important project in terms of the energy sector in this province. If we are to continue to have an active, vibrant energy sector, it will be in the area of heavy oil. I suggest that as the supplies of light and medium decline, that heavy oil is the next logical step in Canada's attempt to acquire energy self-sufficiency.

We have, by policy and practice, encouraged enhanced oil recovery activities in our heavy oil fields. We have to, obviously, learn how to get the heavy oil out of the ground more efficiently and at less expense. And we also have to learn how to handle the product once it's on the surface, and this is where upgrading comes into play. And it is rather senseless to allow those upgraders to be built in other parts of the country and those benefits to flow beyond. So this is, in fact, a very important project for this province in many ways.

I was interested in the Leader of the Opposition's comments about risk — in his interpretation that the government is, in fact, taking 100 per cent of the risk in this project. I indicate we can discuss that in more detail in committee and will be prepared to respond to it. I would suggest, using only one example, that his government was certainly prepared to take 100 per cent of the risk when they purchased half of the potash industry in the province. So I have some problems with his criticisms, if in fact the statements he makes are true.

It would appear that he was prepared to do that as long as government was managing the activity and calling the shots, and he expressed a certain lack of confidence in the federated co-operative refinery, and I for one have a great deal of faith in their ability to construct and manage this project. I believe they will make it an extremely successful one, and I'm rather disappointed to hear the Leader of the Opposition indicate that lack of confidence in federated and in the co-operative movement as a whole.

Having said that, though, Mr. Speaker, I am pleased that the Leader of the Opposition will be voting with us, and we would invite the question on this Bill.

Motion agreed, 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 Hon. Mr. Schoenhals that Bill No. 121 — **An Act to amend The Heritage Fund (Saskatchewan) Act (No. 2)** 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 of the Hon. Mr. Domotor that Bill No. 120 — **An Act to amend The Municipal Employees' Superannuation Act** be now read a second time.

MR. SHILLINGTON: — Thank you very much, Mr. Speaker. I shall be exceedingly brief.

If we understand this Bill correctly, and we believe we do, we have no objection to the Bill in principle. We do have a number of questions which we will ask and ask in committee of the whole when the officials are here. But we have no particular objection to the Bill, Mr. Speaker.

MR. KATZMAN: — On this Bill, this is a combination of a recommendation made from the Public Accounts Committee and the Provincial Auditor on these pension plans, and basically Mr. Shillington is the chairman and the Bill is designed to follow the recommendations of the Public Accounts Committee.

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

The Assembly adjourned at 8:07 p.m.