

December 4, 1985

The Assembly met at 2 p.m.

Prayers

**ROUTINE PROCEEDINGS**

**ORAL QUESTIONS**

**Grain Shipping Charges**

**MR. ENGEL:** — Thank you, Mr. Speaker. I have a question to the Minister of Agriculture, and it has to do with the Mulroney government's plan to take hundreds of dollars out of the pockets of farmers each year for grain shipping charges.

The Mulroney government has proposed changes, Mr. Minister, to the Canadian Wheat Board Act which will see freight rate charges for about 80 per cent of our farmers in Saskatchewan increase dramatically. Is the minister aware of the impact of this change? Do you oppose it? And what steps are you taking to pressure the Mulroney government to stop and drop this plan?

**HON. MR. HEPWORTH:** — Mr. Speaker, hon. member, yes, I'm aware of the plans. I've discussed them with the Hon. Charles Mayer, in fact. Secondly, as I understand, it's an attempt to address the freight differential between East and West more fairly. I suppose one can't particularly argue with that. However, I supposed I, like every other farmer, argue with anything out there that increases the farmers' costs.

**MR. ENGEL:** — Mr. Speaker, my question was: are you aware of the impact of the changes that they're proposing? Do you know, Mr. Speaker, that \$1,900 more a year will be charged to a farmer shipping grain from Indian Head if he has 900 tonnes of grain? Or \$2,300 more a year if that same size farmer with 1,000 acres is farming in Wynyard; \$2,350 more from Yorkton; \$2,900 more from Oxbow; \$3,400 more if the farmer is in Langenburg? Do you think that those added charges are minor, or are acceptable?

**HON. MR. HEPWORTH:** — Mr. Speaker, hon. member, I don't know as I accept your numbers, except to say that if somebody is now paying more, that I presume that means somebody else is paying less, or conversely, before the changes were made, somebody else was paying too much. I suppose the bottom line on it becomes a question of fairness.

**MR. ENGEL:** — One more time at this, Mr. Speaker. Do you consider those kinds of increases fair, and do you not admit that this is just another way the Mulroney government is trying to get more money out of the pockets of farmers?

**HON. MR. HEPWORTH:** — Well first of all, Mr. Speaker, I don't necessarily accept the hon. member's numbers, and secondly, as I said before, I'm not in favour of anything that increases farmers' costs.

And in so far as what the Mulroney government has done, we have seen some positive initiatives there; in fact, the freight rates themselves went down this year, not up, and that's contrary to what the hon. member opposite has called for. He's called for a freeze; a freeze on freight rates for me, Mr. Speaker, and for farmers of Saskatchewan, is not good enough. We want to see the rates go down. That 's the kind of ting we'll continue to press for.

**MR. ENGEL:** — One final supplement, Mr. Speaker. We called for a freeze on freight rates in statute. Mr. Minister, are you prepared to let this kind of freight rate increases take place in Saskatchewan, and if you aren't, what have you done about it besides slapping on the back and say, keep up the good work, Charlie? What are you doing about it to make sure that these changes will not take place to the Canadian Wheat Board Act?

**HON. MR. HEPWORTH:** — Mr. Speaker, as I said earlier, I had discussed the matter with Mr. Mayer and registered my concerns with him and got an explanation from him. I can't necessarily reverse what they are going to do, but certainly I've done what I can in terms of registering our disappointment in any changes going up to the farmer. I think in some instances we've had some success in lobbying the federal government. I think of things like the interim payment on grain stabilization and the licensing of HY320.

### **Polling of Saskatchewan Farmers**

**MR. LINGENFELTER:** — Mr. Speaker, my question is to the Minister of Agriculture, and has to do with this government's desperate attempt to turn around the political situation in the province after the recent by-election. But I wonder, Mr. Minister, can you explain, or can you confirm that the government is now conducting a poll of Saskatchewan farmers, and the pollster is the Tanka Research of Regina, the main PC Party pollster; can you confirm that that poll is presently being done of the farmers of Saskatchewan?

**HON. MR. HEPWORTH:** — Mr. Speaker, hon. member, to my knowledge Tanka nor any other pollster are doing a poll on behalf of Saskatchewan Agriculture of our farmers.

**MR. LINGENFELTER:** — Mr. Minister, I want to make . . . get this very clear, are you saying that Tanka resources or Tanka Research is not doing a poll in Saskatchewan at the present time for your government?

**HON. MR. HEPWORTH:** — I can't speak for every department in government, but what I can say is that to my knowledge at this very moment, Tanka is not doing a poll for Saskatchewan Agriculture.

### **Lighting at Patuanak Airstrip**

**MR. THOMPSON:** — Thank you, Mr. Speaker. I direct my question to the Premier who is the Acting Minister of Highways, and it deals with the public commitment made by the former minister — a commitment that hasn't been kept, Mr. Speaker. On May 23rd in this Assembly the former minister announced that your government would install runway lights at the airstrip in the northern community of Patuanak. And by way of information, Mr. Speaker, I want to quote his words from *Hansard* of May 23rd, and I'm quoting from the Minister of Highways:

That I review the need for lighting at the northern airstrip in view of its location and community need.

He then went on to say:

It is estimated that the installation will take place for the lighting of the Patuanak airstrip later this summer.

I, and the people of the northern community, took your minister at his word. However, the people of Patuanak are still waiting, Mr. Premier. The installation did not take place over the summer as he had promised, and there are no signs as to when the work will take place. Can the acting minister tell us when this government plans to make good on this public commitment?

**HON. MR. DEVINE:** — Mr. Speaker, I don't have the details with me. I will take notice. But I will say at this point, as the new Minister of Highways, and certainly as Premier, I'll invite the hon. member for a cup of coffee if he'd like to come in and discuss it in some detail. I'd be glad to look at it, and we could pursue it in as much detail as he would like. I'll take notice. I'll get the information, but I'd be glad to respond to him. You have a standing invitation to drop in to my office and discuss it.

**MR. THOMPSON:** — Supplementary, Mr. Speaker. I just wonder if the Premier realizes how serious a situation this is. I made this aware to the minister in 1984. I want to explain to you that the

community has had to evacuate, in the last two months, two individuals in the dead of night where they had to line up cars on the airstrip so they could have lights to get the aircraft in there for these evacuations. Mr. Minister, do you consider that to be a safe procedure? And will you not today . . .

**AN HON. MEMBER:** — Just have a cup of coffee.

**MR. THOMPSON:** — And I'm not interested in having a cup of coffee. I brought this forward in 1984. Will you make a commitment today to honour the statement of the former minister of Highways to install the lights at the airstrip in Patuanak?

**HON. MR. DEVINE:** — Mr. Speaker, I'll make a commitment to get all the details on it, and I'm very sincere when I say that if you're serious about this, I gather you are, you and I can talk about it. I mean, if you know a great deal about it, I'd be glad to look at it. I don't have the details. I will get them. I'll take notice, and I'm very serious in my offer. If you want to talk to me about it, then we'll sit down and talk about and I'll go through it.

### Effectiveness of Welfare Programs

**MR. TCHORZEWSKI:** — Thank you, Mr. Speaker. My question is directed to the Minister of Social Services and it deals with the latest welfare statistics that have been published by his department — the jobs that it has created, the statistics show that in September, one in 16 Saskatchewan people — that's more than 60,000 — were on welfare, and that's the highest welfare total for the month of September in Saskatchewan history. And when you announced your so-called welfare programs in 1984, you claimed that they would reduce the number of people trapped on welfare, and it would create new job opportunities for those people.

I just want to ask the minister that, in light of the fact that every organization and every church group said that that program that he announced was going to fail, and also in light of today's statistics, can the minister explain what's gone wrong?

**HON. MR. DIRKS:** — Well, Mr. Speaker, I'm very pleased to respond to the new member's question and perhaps he isn't entirely acquainted, because he is a new member in the Assembly, with what has transpired in our social assistance programs here in the province of Saskatchewan over the past couple of years. I would like to take the time to acquaint him with those particular issues. I realize we don't have the opportunity to do that during question period.

But I will say, Mr. Speaker, that in the past 18 months, Mr. Speaker, literally thousands — thousands — of social assistance clients have been provided with training and education and job preparation experiences that the former government refused, or did not consider were worthwhile for welfare clients to receive. That was a major objective of this government.

And, Mr. Speaker, I have had various communications with numerous organizations and individuals who said that this is likely one of the best things that has ever happened to the Department of Social Services in the province of Saskatchewan in a long, long time. Certainly welfare reform is something that we don't apologize for. It should have happened a long time ago.

As it relates to the number of people on social assistance, Mr. Speaker, if he takes a close look at the statistics, he will see that in the past two years, in fact, the number of people who are employable but who are unemployed, on social assistance, dropped marginally, Mr. Speaker.

**MR. TCHORZEWSKI:** — Mr. Speaker, I can assure the minister that, having spoken to hundreds of people who find themselves in the kind of dire straits that the minister has caused them to be, I'm really acquainted with the situation. And I don't need him to tell me what it is, because I know what it is. His answer, Mr. Speaker, is like telling the person waiting for the hangman, it's okay, there's three people ahead of you.

**MR. SPEAKER:** — Does the member have a question? This is question period, and we're not here just for a discourse but, rather, for questions.

**MR. TCHORZEWSKI:** — Thank you, Mr. Speaker. I do indeed have a question for the minister, and I hope that he will answer it more directly.

Mr. Minister, one of the goals of what you called your welfare reform was to get people off the welfare cycle, and it was to help them get jobs to support themselves and their families, as you said. But the fact is — and in asking the question I want to say that the fact is that the welfare totals have not fallen. They've gone up. And this September there are 60,360 people on welfare, the highest total for this month in Saskatchewan history.

So I say, and I ask, how can you stand there and claim that your changes to the welfare system have helped more people find jobs and opportunities. How can you claim that when we have a record high number of people on the welfare roll?

**HON. MR. DIRKS:** — Mr. Speaker, I'd be very pleased to respond to the member's question because I'm sure he asks his question in sincerity, and then I would respond in kind.

I would first of all inform the member opposite, Mr. Speaker, that the number of fully employable people on social assistance dropped by approximately 253 month-over-month. But more importantly, Mr. Speaker, last week I had the opportunity to drive down south Alberta and to attend one of the businesses which has participated in our welfare reform program; and he asked the question whether or not people have gained from the welfare reform program? That was his question. And I would like to answer his question if the members opposite would give me an opportunity to.

At that particular business, Mr. Speaker, there were six individuals who were taken off the welfare rolls and put into training. I went by four months later to see whether or not any of those individuals were still there. Well, Mr. Speaker, four of those six individuals had been trained; were still working; were permanent employees now, today, and previously they weren't. If that doesn't prove that welfare reform isn't working, Mr. Speaker, I don't know what does.

**SOME HON. MEMBERS:** — Hear, hear!

**MR. TCHORZEWSKI:** — Mr. Speaker, I am sure that 60,300 people who are welfare recipients are not convinced by that answer.

Mr. Minister, may I ask a further supplementary. Isn't it a fact that your so-called welfare reform was little more than a Draconian cut-back in assistance to those who need it? You were trying to pay for things like a high-flying cabinet minister, the Premier's big staff, and so on. And so I ask you this — I ask you: if the real impact of your changes aren't there for all to see in the latest report on poverty by the National Council of Welfare, how can you answer the way you do?

Their report shows that in 1984 the number of families living below the poverty line grew faster in Saskatchewan than almost anywhere else in Canada, and I ask you to read the report and then report on it. And I want to ask you: are you proud of that record, Mr. Minister? Are you really proud of that record?

**HON. MR. DIRKS:** — Mr. Speaker, I'm not too sure what the date of the report is that the member opposite is quoting, but I do want to say, Mr. Speaker, since he has mentioned this whole matter of assistance levels and whether there were Draconian cut-backs, to use his term, and so on; benefits to seniors, low-income seniors — and we have many of them in this province because we have so many seniors here, Mr. Speaker — benefits to low-income seniors were increased substantially.

In fact, they were increased dramatically under this government, but the former government did

nothing. And recently we announced an additional assistance program for seniors — benefit supplements to low-income families were increased by 10 per cent, Mr. Speaker.

But I'm a little bothered by the question because he seems to be suggesting that his approach to running welfare programs in the province of Saskatchewan is simply to increase welfare rates, hand out a cheque to people and turn around and wash their hands and say, we've done all that we should be doing as a government.

You don't seem to have changed. You don't seem to recognize that the people of Saskatchewan want a reformed welfare system. They want fair rates. They want education and training, and they want to be ensured that the monies that are spent are going to the people who need them. That's reasonable, sound social policy. And if you really agreed with it, which you should — right? — you should be agreeing with it, you would stand up and say, I agree with what you're doing.

**SOME HON. MEMBERS:** — Hear, hear!

**MR. TCHORZEWSKI:** — Mr. Speaker, I'm standing and I'm saying I don't agree with what the minister is doing.

**SOME HON. MEMBERS:** — Hear, hear!

**MR. TCHORZEWSKI:** — I'm saying that, because I once again point out to him that the report said that the ranks of the poor are growing faster in Saskatchewan than anywhere else in Canada. And I want to ask the minister: is his welfare reform meant to actually be a reform or do what, in fact, the headline in the *Star-Phoenix* stated, 'The purpose of welfare is to punish the unemployed?'

The difference between his approach and ours was that we created work for people to do; his approach puts more people on unemployment and consequently on welfare. And I ask him, when is he going to revise and review those policies so that those poor people can be treated equitably?

**SOME HON. MEMBERS:** — Hear, hear!

**HON. MR. DIRKS:** — Mr. Speaker, I take very seriously my responsibility to ensure that we have sound social policy in the Department of Social Services. That's why, Mr. Speaker, we increased programs and benefits for large numbers of people in this province.

Whether or not welfare rates are at an appropriate level, whether or not people see them as being fair and reasonable, is certainly an appropriate question to ask in this Assembly.

The benefits for clothing and for personal allowance for families in our province are the highest in Canada. Whether or not they should be increased further is a question, naturally, that we should all be concerned about, but I would remind the member opposite they are the highest in Canada. Benefits for personal and for clothing for single employables are about the second or third highest in Canada. Whether or not they should be increased further is a reasonable question, but I would remind the member opposite that our benefit levels are higher than most jurisdictions in Canada.

Every year, Mr. Speaker, we take a reasonable and a close look at whether or not those benefits need to be increased. We are naturally taking a look at that as we enter our budget preparation cycle, and certainly I'm not in a position to say whether or not there would be an increase in rates, or whether or not they would stay the same. This isn't the appropriate forum to talk about that, Mr. Speaker.

**MR. TCHORZEWSKI:** — Thank you, Mr. Speaker. I just want to ask the minister: can he really believe what he is saying, sincerely, when I see a report on May 1984, that before May 1 a single, employable client could get as much as \$530 a month.' And after, it says here, 'Dirks reformed the maximum felt of \$345 a month.' That's \$11.34 a day of which the food, the clothing, the personal and the household components total \$4.04 daily. That's a drop of 41 per cent. Is that fair, Mr. Minister? You can attack the poor, but you can give away to the oil companies. Is that fair?

**HON. MR. DIRKS:** — Mr. Speaker, I think the members of the Assembly need to know that the level of rates for single employables under the former government were at such a level that they were actually encouraging — encouraging — young people to leave their homes and to live on social assistance. And that is a fact, Mr. Speaker. Nobody can deny that. That is a fact. That was not sound social policy.

What is reasonable policy, Mr. Speaker, what is reasonable policy is to provide a level of assistance which meets the basic needs, but then to turn around and say, but that's not enough, we're going to provide you with opportunities for education, for training, for job preparation and for skill development that will get you off the welfare treadmill and get you into a productive life experience. That's reasonable, Mr. Speaker. That's the policy we have pursued over the past 18 months, and that is the policy we will continue to pursue, Mr. Speaker.

### **Preparation of Public Accounts for 1984-85**

**MR. LUSNEY:** — Thank you, Mr. Speaker. My question is to the Minister of Finance. It has to do . . .

**AN HON. MEMBER:** — Which one?

**MR. LUSNEY:** — Which one might be the question, but the existing, the present Minister of Finance. It has to do with the preparation of public accounts for 1984-84 fiscal year which ended March 31st of 1985.

Mr. Minister, have you confirmed that the Provincial Auditor has completed his audit of the government spending for this year, at least two months ago, and will you tell this Assembly whether or not you intend to table that document within the next few days?

**HON. MR. ANDREW:** — Mr. Speaker, I made inquiries about that. My colleague, the Minister of Revenue and Financial Services, is responsible for the preparation of the public accounts and the tabling of the public accounts and I would suggest that the hon. member, the Minister of Revenue and Financial Services, respond to that question.

**HON. MR. ROUSSEAU:** — Thank you, Mr. Speaker. Mr. Speaker, they asked a question and I'm sure they want the answer if they'll give me a chance to give it to them. The fact of the matter is that it has not been tradition to table the public accounts at this time. With the exception of three years, the past 10 years the public accounts were tabled in March, January, March, March, March, and the last two it was February and March.

**AN HON. MEMBER:** — So '79, '80 and '81.

**HON. MR. ROUSSEAU:** — I said three years. Three out of 10 years were tabled at this time of the year. Mr. Speaker, the answer to the member's question is simply that when they are ready, and we are working on getting them ready, they will be tabled to all the members in this legislature.

**MR. LUSNEY:** — A question to the Minister of Revenue. Mr. Minister, you said that in the last three years it was not tabled before February, March, or April, and that is true. But, Mr. Minister, if I can go back to the year '79, when public accounts was tabled on December 14th; of '80, when it was tabled December 12th; '81, when it was tabled December 10th. It was during the three years that you were in power that all of a sudden the public accounts are no longer tabled in this House before February, March — and every year it gets later; last year it was April — and now we don't know when it will be.

Mr. Minister, can you tell this House whether that document is completed, the audit is completed, and whether you are prepared at this time to table that account, the public accounts, in this House within the next few days so that the public can have a look at it. Will you do this, Mr. Minister?

**HON. MR. ROUSSEAU:** — No, Mr. Speaker. I will table the public accounts when they are ready. Last year, Mr. Speaker, the member indicated that they were tabled on March 23rd. The fact of the matter is that I extended a courtesy to the members opposite with the understanding that if I gave them the public accounts in early January, they would review them and prepare themselves for the committee. Instead of doing that they decided to politicize the public accounts.

So as a result of the abuse of the courtesy that I extended to them last year in giving it to them early, I have now decided that I would table it to all of the members, which is the proper way of doing it and the tradition of this Assembly, to table in this legislature when it is sitting.

And if we look at the record, as I indicated, in 1974, '75, '76, '77, and '78, in those five years, by that administration, they were tabled as late as March 28th of the following year. So there's nothing really different. As I say, in three years out of ten they were tabled before December 31st. I admit that. We will table them when they are ready.

The public accounts have to be prepared by the officials of the revenue as well as the concurrence of the Provincial Auditor. When all of it is completed and prepared I will table in this legislature, and frankly, we will attempt to do it as early as possible and it may even happen. But I would suggest to you that they probably won't be tabled this fall, before the end of the year.

**MR. LUSNEY:** — Supplementary to the minister, Mr. Speaker. Mr. Minister, it has been the practice to table the accounts as early as possible. As you have stated, and I'm sure that this is true, that the auditor has completed his review of them, will you, Mr. Minister, . . . Or maybe I should ask you: why do you feel that tabling these accounts at this point would somehow embarrass the government? Are there figures there that you are afraid for the public to see? Why would these figures embarrass you, Mr. Minister?

**HON. MR. ROUSSEAU:** — Mr. Speaker, I think the member is receiving wrong information, however he is receiving it or whoever he is receiving it from. The fact of the matter is that the Provincial Auditor has not completed his review of the accounts. My officials will be meeting with the Provincial Auditor this week and I believe next week. So I don't know who's giving you the information, but it is incorrect and inaccurate.

## INTRODUCTION OF BILLS

### **Bill No. 124 — An Act to establish a Dental Plan for certain Teachers**

**HON. MRS. SMITH:** — Mr. Speaker, I move first reading of a Bill to establish a dental plan for teachers.

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

### **Bill No. 125 — An Act to amend The Teachers' Superannuation Act**

**HON. MRS. SMITH:** — Mr. Speaker, I move first reading of a Bill to amend The Teachers' Superannuation Act.

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

### **Bill No. 126 — An Act to amend The Teachers' Life Insurance (Government Contributory) Act**

**HON. MRS. SMITH:** — Mr. Speaker, I move first reading of a Bill to amend The Teachers' Life Insurance Act.

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

### **Bill No. 127 — An Act to amend The Cancer Foundation Act**

**HON. MR. TAYLOR:** — Mr. Speaker, I move first reading of a Bill to amend The Cancer Foundation Act.

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

**Bill No. 128 — An Act to require the Government of Saskatchewan to observe Certain Standards of Fairness in Awarding Government Contracts**

**MR. SHILLINGTON:** — Mr. Speaker, I move first reading of a Bill to require the Government of Saskatchewan to observe Certain Standards of Fairness in Awarding Government Contracts.

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

**Bill No. 129 — An Act to provide Access by the Public to Government Information**

**MR. SHILLINGTON:** — Mr. Speaker, I move first reading of a Bill to provide Access by the Public to Government Information.

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

**Bill No. 130 — An Act to amend The Ombudsman Act**

**MR. SHILLINGTON:** — Mr. Speaker, I move first reading of a Bill to amend The Ombudsman Act.

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

**POINT OF ORDER**

**MR. LINGENFELTER:** — My point of order concerns remarks made in the debate in the Assembly by the member for Prince Albert yesterday afternoon. I read the *Hansard* and the record of his remarks on page 3869. The member for Prince Albert was referring directly to another member, my colleague, the member for Cumberland. The member from Prince Albert said, and I quote:

The last speaker, the member for Cumberland, I suggest to him that if wants to bring upon himself the wrath of the NDP, the fastest way for him to do it, if he hasn't already done it, is to go down into southern Saskatchewan and do a rain dance . . .

Mr. Speaker, the member for Cumberland is the only native member in the Assembly and I believe the remarks of the member for Prince Albert have racial overtones, and offensive and unparliamentary. I therefore ask, Mr. Speaker, that you would review the remarks made by the member, and consider whether or not the member should withdraw them and apologize to the member from Cumberland.

**MR. SPEAKER:** — I'll take time to review the record, and bring in a ruling later.

**ORDERS OF THE DAY**

**GOVERNMENT ORDERS**

**COMMITTEE OF THE WHOLE**

**Bill No. 119 — An Act respecting Saskatchewan Oil and Gas Corporation**

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

**HON. MR. SCHOENHALS:** — Mr. Chairman, it's my pleasure to introduce to the Assembly the



officials that are with me. On my immediate left is Mr. Bill Douglas, the president of Saskoil; directly behind him is Mr. Rob Gemmell, a financial advisor to Saskoil; Ron Hewitt, directly behind myself, a member of the legislative counsel; on my right, Mr. Larry Kyle, legal counsel to Saskoil; and behind him, Mr. Carl Wagner, also legal counsel to Saskoil.

## **Clause 1**

**MR. LINGENFELTER:** — Mr. Chairman, just before we get into it, I would just like a point of clarification on going through this Bill. It's my understanding, and it has been in the past, that we can move through the Bill in different areas on clause 1, and I would just like the Chair to confirm that's the understanding today.

**MR. CHAIRMAN:** — You can ask questions on clause 1 on any part of the Bill.

**MR. LINGENFELTER:** — What I would like to do first of all, Mr. Chairman, is just outline in short and in brief our opposition to the Bill, as I have done in the past, in the Assembly. And the member from Elphinstone has articulately laid out why we have problems accepting the Bill, both in principle, the selling off of a major portion of a Crown corporation which was doing very well — 100 per cent Saskatchewan owned, returning to the shareholders, a million people in the province, a decent return to them in order that programs, government programs, whether they were building hospitals or schools, could be carried out, or to balance the budget, as has happened in the past under a different administration.

The other opposition, of course, that we have to the Bill is the fact that the Bill very clearly leaves much to the imagination and much more to the discretion of the minister and the cabinet, changes that can be made at their discretion behind closed doors.

The minister will be well aware that over the past number of years all the people of Saskatchewan, as we have stated a number of times, have had an opportunity to invest in this Crown corporation through the public sector. They've taken the risk and they've done very well.

And his simple statements, that this is the first time Saskatchewan residents will ever have to invest in the oil industry in Saskatchewan, simply is not borne out by the facts. There are many oil companies, small and large, some private and some that trade on the stock exchange, in which people can invest and make money or lose money, wheel and deal. And that opportunity has been there not only since 1982, but has been there for many, many years. On the other side you seem to have some sort of a revenge, or you're out to get all of the Crown corporations. This seems to be the view that many members have expressed in the speeches.

And I say, here again this is unusual when we have the Mulroney government, your partners in Ottawa, spending a billion dollars to buy 1,800 used service stations in western Canada from Gulf Oil; or when you have Suncor, which is very active in the Shaunavon constituency, a Crown corporation owned by the Ontario government, producing oil and drilling for oil in the Shaunavon constituency; trucks in Shaunavon at the restaurants with Suncor written on the side of them — a Crown corporation from Ontario doing very well pumping Saskatchewan oil and making money through a Crown corporation for the residents of Ontario, and that Crown corporation set up by the Conservative government.

And the Minister of Finance asks, how much? Well I say to him that he is not the person to be asking how the books are being balanced in Ontario, because one need only to look at the sad record of the economy of Saskatchewan and the \$1.5 billion deficit which we have incurred, Mr. Chairman, in three years, to see that what has been happening here is not a proud record.

But I say to the minister that my other main concern about the Bill is that it's coming so late in your mandate. It's coming about four months before the next election. If we look at a four-year term, which is the tradition in Saskatchewan . . . I don't know when the last time anyone went beyond four

years. It might have been the last time we had a Conservative government, when they waited the full five years. You know the ramifications of doing that. That Conservative government, when it had an election, got no seats in this legislature — not one seat.

But I want to say to you, Mr. Minister, that this close to the end of your term, four months before your mandate expires, four months before it expires, you bring forward a major Bill to sell off a major portion of a Crown corporation which is returning a good return to the people who invested and took the risk.

And even at this late date, I would say to you, Mr. Minister, that I believe that you should withdraw this Bill and wait until after the election, because I don't believe you have a mandate to do this. I don't believe you have a mandate to sell off this Crown corporation. I don't think you ran in the last election saying that we were going to sell off Saskoil. And I think what you should do, four months before the next election, is to hold this Bill back and say that it will be our first point of business when we get back into the Assembly, and let the people decide. I agree with the member from the Quill Lakes when he says that he thinks that's what their plan was when they brought this Bill in and got it ready and announced it. But I would say to the minister that your mandate has expired. This government is finished.

I think what the people of Saskatchewan are clearly saying to you, both in urban seats and in rural, is have an election. I don't think they want these Bills coming through here, complicated red tape, selling off major portions of a Crown corporation four months before an election.

I think you birds are finished. I think the people in North East were correct, and I think the people from across the province are dearly wanting an election to let you know what they think of this and other Bills that you've brought forward. I think that's what they would want.

And therefore I would ask you at this time, Mr. Minister, whether you would take this opportunity to withdraw this Bill and wait until the election which we believe, and I'm sure you will believe, will occur before April, or in April, once your four-year term is up, and wait until after the election to see how you make out, to see whether or not the people still want this Bill.

**HON. MR. SCHOENHALS:** — Mr. Speaker, every time this member gets to his feet I get more amazed. We are in committee. I had anticipated some rather reasoned, sensible questions that we could discuss at this time. However, I will attempt to respond to some of the comments that the member opposite has made. He discusses the fact that Saskoil will not be providing benefits to all of the people under the mix of ownership that we are proposing as a result of this Bill.

I would remind the member one more time that under their administration Saskoil seldom made a profit and never paid a penny of dividends to the government. It stretches the imagination, as I indicated in second reading, when they had a corporate plan that saw the doubling of the staff by 1986 and no profits in the corporation until the 1990s, for him to get his feet in this House and talk about tremendous benefits.

He then suggested that Saskoil could provide money to build hospitals and schools. And I again remind him of his leader's comments on CFQC in Saskatoon that the Heritage Fund was never intended to have money to build hospitals and nursing homes.

He suggests that the Bill is not complete, that there are specific shortcomings he wishes to bring up. If he will raise them, we will try to discuss them in a reasonable manner. Possibly he could bring those things up and we could talk about, once again, the question of who took the risks.

(1445)

I would merely repeat what I said a couple of evenings ago in this Assembly, that the question of ownership implies some choice. The people of the province did not have any choice when the

previous government brought Saskoil into existence or chose to acquire certain properties. The people had no choice. They had no choice whether to maintain the ownership or whether to divest, and whether people in the province actually choose to invest or not, I believe that the vast majority are pleased to have the opportunity and make the decision for themselves.

He alludes again to an alleged comment that I made that people would for the first time have an opportunity to invest in the oil industry. I think if he looks closely at *Hansard*, or at other public remarks I have made, I said that people would have an opportunity for the first time to actually invest in the Crown sector; and there's a significant difference between the two comments, and I'd suggest that if he has proof that I said something else, to get it out and quote it to me.

He suggests again that it is late in the term, that we do not have a mandate. Once again, the hypocrisy of the comments is amazing coming from a government who went through an election, said nothing about it, and in short months later chose to nationalize half of the potash industry. So I believe that because we are three and one-half-plus years into the terms is not a reason for inactivity.

I believe the Bill, and the results, are things that the people of the province want. I could list a number of the benefits that will flow from it. I have listed many of them before. We will see increased employment, as I indicated, because of this investment in the heavy oil sector. Saskoil will have a significant body of capital that they will use to take advantage of the opportunities that are being created in the heavy oil sector, to provide feedstock for the upgraders in the natural gas sector because of the policies that the Premier announced in July, and I'm sure that in his area he's well aware of the vast increase in activity in the natural gas fields. Saskoil will be able to take full advantage of that, obviously, increases in employment in that one simple area by itself.

People of the province have indicated that they are very positive with the concept of public participation. I would suggest to him that he's wrong when he suggests that the people are not interested in this. As I've indicated a number of times, the people of this province are looking for opportunities to invest in the province. Pension funds have been mentioned; pension fund money has been going out of this province for years, and now there will be at least one mechanism, and it will be taken up eagerly by various pension funds in the province.

There are many, many other reasons for the Bill, but I will leave it at that and invite the members to ask some specific questions, and we'll attempt to deal with them.

**MR. LINGENFELTER:** — When the decision was made to sell off part of Saskoil, I would imagine that there was a study and an analysis done of the properties which were being sold, a complete evaluation. I wonder if the minister could outline in some detail the company that did that research into individual properties and did the evaluation of the properties involved, and whether he would, at this time, table that document so that the Assembly, the members of the Assembly, as well as the public, would be apprised of the kind of numbers that were used; the formulas that were used in working out the evaluation of Saskoil and the many properties and drilling rights and oil wells and equipment that stands on much of this property, to be able to see whether or not, in fact, they are properly evaluated, and table them here in the Assembly.

**HON. MR. SCHOENHALS:** — Mr. Chairman, the company that did the evaluation is Coles Nikiforuk, in the opinion of Saskoil one of the top three or four consulting groups who work in that type of reservoir evaluation. The pertinent details of the study appear in the preliminary prospectus that has been filed. I would invite the member to access himself of it. It's available almost anywhere. I'm sure there are a lot of copies in Shaunavon after the big crowd we had there to distribute them around. As well, it's been filed with the securities commission, and if it's worthwhile to file it, but I don't see any value in it.

**MR. LINGENFELTER:** — Mr. Minister, I would ask you again for the company and for the actual report that was done on it. I have here the one prospectus, October 18, 1985. I have seen analysis done on companies that were worth 500,000 or \$1 million that were twice as informative as this. We are talking here about \$100 million worth — or so-called \$100 million worth — of properties. What

we would very much like to have is the complete analysis of the share that is being sold, and I would ask you to table that report now.

**HON. MR. SCHOENHALS:** — Mr. Speaker, once more, the relevant information is filed with the securities commission. There are some confidential portions to that document, obviously. We will not be filing it in the House, as I indicated. He keeps referring to various prospectuses. I'm confused at that. Saskoil has only filed one preliminary prospectus, and I'm not sure what that reference is to. If you'd like to explain it, maybe I can clear it up.

**MR. LINGENFELTER:** — What I would like to have from you is the analysis that was done on this sale that is taking place, and the evaluation that was done on the properties and the equipment and the oil reserves. Now you are asking the people of Saskatchewan to believe and trust that you're getting a good deal for them, but on the other hand you're saying, we don't trust you with the information; we'll keep it private. I, the Minister of Energy and Mines, do not trust the people who own it, the Saskatchewan taxpayers. They're not to be trusted. And I say to you, how does that make the least bit of sense at a time when you're selling off \$100 million worth of their assets in their Crown corporation, and you say that you won't give them the detail of what it was actually worth?

And there will be many people who will want to see what the real value is of what they're selling, and they simply don't believe that what you're telling them here in this short prospectus has anything to do with an evaluation. I looked through here, and it's very difficult to tell what a well in the Shaunavon area would be worth because it's not listed here. But somewhere there is a report that would list out every property.

The minister laughs about it, but I'll tell you, in the industry, if you tried to get away at a shareholders' meeting with this kind of sloppy and shoddy work in selling off \$100 million worth of property with this report, I tell you, you'd get run out of the annual meeting. That's what would happen, because there's nothing in here. There's nothing in here about the oil wells you're selling.

There's no list of reserves on each property or a value put on it. And I'll ask you one simple question: what value did you place per barrel on the oil reserves? What's the schedule that you have, for example, on south-west crude for the sale that is going to take place?

**HON. MR. SCHOENHALS:** — Mr. Chairman, once again, for the information of the member, all the securities commissions in Canada have specific forms in which information has to be filed. We have followed all those requirements. I'm sure that the member is not for a minute suggesting that the securities commission is not doing its job. The information has been filed. Information on values are in the prospectus. We do not have the specific value of a particular well, and I'm sure that the member would not expect that type of information. As far as his comment of what would happen at a board meeting, I'm rather questioning whether the driller of two salt water wells really knows what goes on in a major oil company board meeting. But I could be wrong on that.

But the information is filed in the proper form with the Securities Commission, and I believe that the public of the province are well satisfied with that process for this company and for any other that chooses to file a prospectus.

**MR. LINGENFELTER:** — The minister will be interested to know that many people would like more detail on the price of what they're selling, because you say that it is filed with the Securities Commission yet you won't file it here in the Assembly. Now I find that interesting, coming from the minister in charge of the department, to come here and say we have it filed somewhere, but we won't file it in the Assembly for people to peruse or look at.

I will ask you again, Mr. Minister, whether you take the time to file and to table that report, the complete analysis that was done of the company, and put it here on the Table so that people will know the values that you put on the properties, because I think that's important in this transaction.

**HON. MR. SCHOENHALS:** — Mr. Chairman, as I indicated, the pertinent and required information

has been filed. Again we come to the question of choice, and I only bring it up as a sidelight that nobody in the province is forced to purchase these. For the first time, as far as investing in a Crown corporation, whether they wish to take the risk, they have that choice, and this is being done within those bounds.

However, the portion of the . . . as far as the report that has been filed with the Securities Commission, I have no problems. We don't have it with us, but we can file that with the legislature. I'm sure the member realizes that there are portions of the total report of Coles Nikiforuk that can not be made public because they would give competing oil companies an unfair advantage, and I'm sure he doesn't expect that.

I would direct his attention, however to page 10 if the preliminary prospectus. At the top of the page, if he wanted to take a few minutes and study the table, he can run through the dollar values that have been assigned by Coles Nikiforuk to various portions of our production. Possibly he'd like to take some time and study that and allow one of his colleagues to become involved, and then we'd come back to the issue.

**MR. LINGENFELTER:** — The minister will know that, in encouraging people to buy these shares, he knows, and I'm sure at this meetings he was explaining to the people that these shares aren't bonds, and I think he did explain that as well as he could that this is a risk venture.

What many people are wondering is what kind of prices of oil are you predicting when you say that the shares are going to stay relatively stable, for example, or increase in value. If you're encouraging the new investor to go out and buy some of these shares, what are you predicting the price of oil to be over the next — oh, let's say at a shorter term — let's say the next five years? Are you using an industry type of formula, or have you got one that the department is using, or what numbers will you use?

**HON. MR. SCHOENHALS:** — I make tow points, Mr. Chairman. The first one is that we have tried very hard, and it has not been difficult — people of Saskatchewan are as intelligent as any others; they know very clearly that there's and element of risk in this unit with the two preferred convertible shares and the common share, and I don't think that that is an issue here.

However, in terms of the second question on price projections, I would once again repeat, open the preliminary prospectus to page 10, top of the page, there is a table that lays out the projections that we are using in making the evaluations and in the information we present to the people.

Now I'm sure that you can get conflicting reports from various banks, from various consulting groups, from many oil companies; there is no uncertainty and there is, in fact, risk. Obviously that's a factor, but a s I indicated in my previous answer, if he took a minute, studied the table on page 10, possibly allowed one of his colleagues to get involved in the question, we could come back and clarify this issue.

**MR. LINGENFELTER:** — So the minister is saying, and I want to get this clear, when you're recommending, which you must be doing, or advising the Credit Union managers on whether this is a good investment or not, let's take for example in 1988, you are saying that the Edmonton price, oil price, will be 437 a barrel. Would that be accurate that that's what you're basing your good investment on, that the price of oil in 1988, for example Edmonton, would be \$37?

**HON. MR. SCHOENHALS:** — Yes, the member for Shaunavon has read the table very clearly, Edmonton City Gate and that D2/S3 is probably light sweet crude oil, in Canadian dollars per barrel, 1988, that we are projecting 437.

(1500)

**MR. LINGENFELTER:** — What would you predict when you're advising a new investor, that the share would stay the same at that price of oil? Are you predicting it would go up significantly, or

drop or what . . . You don't seem to realize you're now the chief advisor in the purchase of shares.

You keep pointing to the prospectus, but there'll be many people who will go into my Credit Union, when the shares are offered, who will be listening to you today and want you to explain it. You seem to become impatient and say that you've spent enough time at this, and what you don't seem to realize is that in the democratic system, my friend, that this is your job to explain this out. And for your 70 or 80,000 a year this is part of your job. We will spend some hours here going after you and getting you to explain this very clearly.

So you're saying that in 1988, if the price of oil is \$38 a barrel, what are you advising purchasers of this share that will happen to the share?

**HON. MR. SCHOENHALS:** — Mr. Chairman, we are suggesting in 1988 that the price of oil, the Edmonton City Gate price, that type, dollars per barrel, Canadian, \$37. You can go through the sequence that we have projected. All right. The only comment in that whole thing that I think that the member for Shaunavon made that was correct was that the people who are flowing into the Credit Union in Shaunavon are interested in this thing because that south-west corner has been extremely active, a very active area, and we have considerable interest down there in these shares.

The point I would make is that in our discussions, in our financial advisor's discussions, we have pointed out that these are the projections we have used. We have indicated clearly that prices of oil may go up; prices of oil may go down. I don't think anyone argues that. We have pointed out that there is risk involved in this venture, in becoming a shareholder of this major corporation. We have also pointed out very clearly that Saskoil, as a company, is in excellent shape to withstand those types of vagaries that will occur in the market-place. Saskoil has a good land base, has good production, has good diversification in terms of types of oil and natural gas. We have indeed indicated that Saskoil is a solid investment opportunity.

I would suggest that Saskoil is a whole lot better investment opportunity than Nabu, and the Cornwall Centre, and SED, and a whole list of Crown corporations that you people were prepared to sell shares in. I haven't heard a whole lot of people asking the types of questions that you propose to be asking, but we can pursue it, and we will attempt the best we can to provide the information you want.

**MR. LINGENFELTER:** — I wonder whether the minister would know what the futures market for oil is, which I think is probably the most accurate predictor of what the oil prices will do over the next 12 months. Can you tell me, for example, in the New York market, what you can buy future oil for at the present time? Let's take January of 1987. If you were to go today and buy oil for delivery in 1987, what would you have to pay for a barrel at New York price?

**HON. MR. SCHOENHALS:** — Mr. Chairman, the futures market — we don't have those numbers with us. They're in the paper. You can pick the *Leader-Post* up tonight, and it will be projected for the next 12 months. You can acquire that, and I would hope that people who are considering this investment would take that opportunity.

Under the securities commission requirement, we had to provide projections based on a professional consulting engineer who is recognized by the securities commission, the purpose of which, of course, is to make sure that that information is filed and that the securities commission accept it and protects the small investors. We have obviously followed those steps through, and I think if people in Saskatchewan have confidence in the securities commission, they can certainly have confidence in the work that's been done in the areas that you indicated.

**MR. LINGENFELTER:** — The minister will know that in looking at the price of oil over even the shortest term, the numbers that you are using here have fairly significant increases in the next 10 years. Many investors — and I don't know whether you're telling them the whole story about how much oil is shut in, for example, in the Middle East. Recent comments made by oil producers, for example from Saudi Arabia, which predict oil prices could fall to \$20 U.S. a barrel if the next round

of talks fail. I think what you should be doing is have not only the hype and the excitement which we saw, not only in the 1982 election, which has kept on in your area, which you are still doing at the town halls. I think as well you should be telling them about what I called great risk that could occur in the next ten years, and that the price of oil in 10 years from now, which you are predicting to be in the area of 52 and probably higher, could as easily be much lower. You're basing your predictions on a very, very optimistic oil futures, which isn't reflected, I might remind you, in the commodity market or by the Middle East people who are predicting \$20 a barrel.

I say to you that I'm not sure if you're being completely honest with the people when you're out there saying that shares are a good buy when you base them on a very inflated increase in the price of oil, when others in the industry who, I would think, have a little more knowledge than yourself and great deal more to do with the price of oil, are saying something quite differently.

And I'd just like you to comment on what would happen to the share price if oil was, in fact, to drop to o\$20 a barrel, which is predicted by many people who are in the know.

**HON. MR. SCHOENHALS:** — Mr. Speaker, I have to again correct the member from Shaunavon. He seems to have some grave misconceptions on this belief that is inherent in their party that only government can present information or do anything. The information that appears in the document, professional engineers made those projections. They are their projections. There are flat projections indicated on page 9. You can look over there as well. We have made it very clear that this is the best information available.

There's no question that there's risk. I don't think anybody has ever attempted to say that oil prices are going to follow exactly this or that path. There is some risk involved. We believe that the shares are well priced. We believe that the opportunity is there, and it's a positive thing for the investor, the corporation, and the province, as we've said a number of times. But once again, the projections are not ours. They are those of a professional engineering firm that is recognized and accepted by the Saskatchewan Securities Commission.

**MR. KATZMAN:** — Thank you, Mr. Deputy Chairman. I listened to the debate basically the other night when the minister indicated in his closing of debate of the suggestions of the Crown Management Board and the references made by the Leader of the Opposition.

Mr. Deputy Speaker, I also listened to the comments made by the member who just spoke before me, and I must relate the concerns of the people of my constituency. He seems to indicate that people of Saskatchewan have all an opportunity to play in the oil industry on shares, and so forth, as they so wish. There are several members in this House who, I understand, are involved in buying shares in different oil industries, or may even be drilling oil wells of their own, be they on both sides of the House, or whatever.

But the concern I hear, Mr. Deputy Speaker, in my constituency, is a lot of people saying to me, for \$29 I'd like to invest in Saskatchewan because I think this is a good investment for me, my children, and so forth.

With that in mind, I went down to an investment broker, because I do happen to look after a trust account for somebody who's not capable of looking after themselves. And I asked, could you tell me some good, sound investments that are in Saskatchewan for the amount of money that I have to invest and would they meet The Trustee Act? One of the investments he suggested to me, but was not totally sure if it met The Trustee Act, was the Saskatchewan oil shares. He's with one of the major firms, and they indicated they thought over the long term it was an excellent bargain for families and for people who were investing for people in Saskatchewan. And they were well aware that I'm looking after a trust account which must mean it must be blue-chip investment, and Pemberton Houston Willoughby recommended to me that this is one of the possible investments.

Talking to my constituents, Mr. Deputy Speaker, and Mr. Minister, they are very pleased with the

opportunity to be able to invest in a Saskatchewan corporation, and they feel a little more secure because it is a corporation of partnership with the government and the people. They like that. They believe it will help the industry of Saskatchewan to grow, and in Saskatchewan.

I was interested to listen to the member prior asking about studies and surveys of this corporation, and would they table them on what the economics are. I remember in my past history in this House, Mr. Deputy Speaker, that when the former government bought things, they would never show anybody what they cost or what they were really worth, and I only go back to Intercontinental Packers where future . . . and looking back, we all know that they paid too much for an investment.

But sticking to the bond, speaking strictly on the Bill, Mr. Deputy Speaker, let me tell you what I find from professionals. They say yes, it is a good investment, much different than what the member for Shaunavon seems to indicate to the House. Second of all, people are pleased to be able to make a modest investment and be a shareholder in a Saskatchewan Crown. I guess I must then pick up and say for the first time they will be able to go to a board meeting and vote. They will not be able to be told that we will vote secretly within cabinet what your shares do or do not do, or within the corporation.

You know, the members talk from their seat to interrupt and do not wish to give me the courtesy of allowing me to speak. I understand that, and I understand why this may bother them, and obviously it must bother them, because of the thoughts they had in 1981, and now that we have gone forward.

I repeat Mr. Deputy Speaker, Mr. Minister, the people in my constituency are pleased with this, the opportunity to invest in Saskatchewan in partnership with the government, rather than the government saying you are a partner and they never have a vote. We're pleased with that. And I wish the member across the floor would put their questions and their remarks on truth and not on falsehoods.

**HON. MR. SCHOENHALS:** — Mr. Chairman, I can only indicate that the comments I have had all over the province in the last month and a half are directly in line with the comments made by my colleague from Rosthern.

One further comment to the member from Shaunavon. I understand the point you're making is that there is risk involved in this or any other share issue, that there is risk in this industry. That is correct. Once again the projections that have been laid out are made by a professional consulting firm, accepted by the Securities Commission, and we have no reason to not accept these projections.

I would indicate, however, that in the final prospectus there will be an additional section on risk awareness that will be filed in the final and will say, in essence, the fact that what you're making out is that oil prices do, in fact, go up and down, and risk is an element of this offer.

(1515)

**HON. MR. BLAKENEY:** — Mr. Chairman, and Mr. Minister, there are a number of simple technical facts which I would like to get on the record so I will understand the transaction which you are entering into.

You referred in reply to my colleague, the member for Shaunavon, that you spoke of an ownership plan provided for by the Bill. Now would you be good enough to outline what the ownership plan will be in this corporation? What shares do you expect will be owned by members of the public? What shares do you expect will be owned by agencies of the Crown in the right of Saskatchewan?

**HON. MR. SCHOENHALS:** — Mr. Chairman, at this time, obviously in broad numbers, but we would anticipate that the share split between public ownership and government ownership in right of the Crown would be roughly 40 per cent members of the public and 60 per cent held by the government.



**HON. MR. BLAKENEY:** — Mr. Chairman, and Mr. Minister, you say you anticipate that. You spoke earlier about an ownership plan provided for in the Bill. Would you please refer to those sections of the Bill without buying any such ownership plan, 40-60 or any other split?

**HON. MR. SCHOENHALS:** — Mr. Chairman, I was referring obviously to the fact that, as the result of the passage of this Bill, the corporation will be in a position to offer shares to the public. We have said publicly, we have stated as policy, that the government will continue to be the majority shareholder. And I'm indicating to you that we anticipate that the majority position will be 60 per cent.

**HON. MR. BLAKENEY:** — Mr. Chairman, and Mr. Minister, you state that as a matter of policy. You tell me it's not in the Bill. Will you refer me to the provisions of this initial, this preliminary prospectus dated October 18, 1985, to which you've referred; would you refer me to the provisions of the prospectus which provide for a 40-60 split or any split?

**HON. MR. SCHOENHALS:** — Mr. Chairman, page 21 of the prospectus deals with the relationship with the province of Saskatchewan. The actual pricing of the issue will take place, possibly at the end of this week, early next week. However, it has been publicly stated that we will continue to be in a majority position. Our financial advisors advise us that after this offering the split will be 60-40 — somewhere in that approximate area.

**HON. MR. BLAKENEY:** — Mr. Chairman, and Mr. Minister, you are telling me that this prospectus does not provide for any sort of a split, 60-40 or other. Is that not true? Is there anything in this prospectus which can be read to be any kind of split, 60-40 or otherwise?

**HON. MR. SCHOENHALS:** — Mr. Chairman, I direct the Leader of the Opposition's attention now to page 20. You will notice in the final column in brackets the words 'shares.' Obviously those numbers have not been filled in. When the final prospectus is filed, those numbers will be filled in, and it will become obvious what the split is at that time. Obviously the marketing, the expression of interest process and so on have to take place. However, as I indicated, 60-40 will be very close to the split. The final will be filed before anyone actually purchases shares. I'm sure you're aware.

**HON. MR. BLAKENEY:** — Mr. Chairman, and Mr. Minister, do you deny, Mr. Minister, that under this prospectus the split could be 95-5; that 95 per cent of the issued and outstanding shares of this company could be sold to the public by simply filling in the blanks in this preliminary prospectus, and there's not a word to suggest otherwise?

**HON. MR. SCHOENHALS:** — Mr. Chairman, it's in the letter that accompanied the prospectus. I think in the prospectus on 21, if you read it carefully, it says the government will maintain a majority position in the corporation.

As well, in the final there will be an additional paragraph that prospective purchasers — opposition members, anyone else — that will lay out clearly the principal shareholder's position and what it will be.

**HON. MR. BLAKENEY:** — Mr. Chairman, and Mr. Minister, that isn't good enough. All your letter says is what you expect. There is no limitation on what can be sold. It is very clear from this prospectus that you could sell all of the shares, all but the 100 which are provided for in the Bill. The 100 commons are the only thing that you legally are going to leave with the public. Everything else is left to your discretion. Is not that true?

**HON. MR. SCHOENHALS:** — Mr. Chairman, our advisers indicate that the wording that we expect in fact in a legal sense indicates that we will in fact be the majority shareholders in this corporation after this issue. It does not indicate that some future government may, because of the vast success and the tremendous popularity of the concept, be interested in selling a further portion of the corporation.

But as we have indicated publicly, as is indicated in the prospectus, as is indicated in the letter, we will be the majority shareholder after this prospectus, or after this sale, and the ratios will be in the range of 60-40.

**HON. MR. BLAKENEY:** — Mr. Minister, you said in the prospectus that this is said. I ask you: where is it said? You have referred me to one letter which you say that in the opinion of Mr. Schoenhals, the writer of that letter, it is expected that . . . That is the only level of commitment in this prospectus.

There is nothing here that in any way prevents you, if you like the way this issue is rolling, if there are a lot of expressions of interest as you say, there is nothing to stop you in this prospectus or in the Bill from honouring all of the offers to purchase and selling out all of the issued and outstanding shares except 100. Now isn't that true?

**HON. MR. SCHOENHALS:** — Mr. Chairman, as I indicated, we have indicated publicly, I have given my word, it is our intention, and I believe that there are . . . If there are risks involved in what we are saying, and if in fact we do not perform as I am saying we will perform, you can get on your soap-box and preach it to the heavens.

The fact of the matter is we have indicated the government will be the majority shareholder. And the government will be the majority shareholder, and the split will be in the area of 60-40.

**HON. MR. BLAKENEY:** — Well, Mr. Chairman, and Mr. Minister, you have clearly indicated that any such assurance that the public may have is not in the Bill and is not in the prospectus, but is in the public statements made by the minister and nowhere else.

Now so that we may figure out what you have in mind, I am going to ask you some questions about this prospectus, this preliminary prospectus. First, it purports to be a prospectus covering units of common shares and cumulative, redeemable, voting, convertible, second, preferred shares. It purports to cover a number of units. My question to you is: how many units do you propose to sell as the maximum number to be sold under this prospectus?

**HON. MR. SCHOENHALS:** — Mr. Chairman, the maximum would be about 3.8 million, I would give you as a maximum number.

**HON. MR. BLAKENEY:** — Mr. Chairman, and Mr. Minister, you say that the number of units to be covered by the prospectus is a maximum of 3.8 million. Mr. Minister, I refer you to page 41 of the prospectus and to the last paragraph on page 41 where it is indicated that the corporation in effect proposes to enter into an underwriting agreement to sell units.

I ask you: with whom is the underwriting agreement? Obviously the person who drafted that prospectus had a draft underwriting agreement in front of them. With whom is the underwriting agreement and how many units does it cover?

**HON. MR. SCHOENHALS:** — Mr. Chairman, the underwriting agreement is between the Saskatchewan Oil and Gas Corporation and Wood Gundy. That will be finalized at the time of the final prospectus, and at that time the number of shares will, in fact, be written in. However, the maximum, as I've indicated, would be 3.8 million. Within that maximum, we will complete the agreement.

**HON. MR. BLAKENEY:** — Mr. Chairman, and Mr. Minister, with respect to this underwriting agreement — I'll come back to the numbers in a moment — but with respect to the underwriting agreement, that's a term which doesn't necessarily have a particular meaning. It ordinarily means that Wood Gundy is going to buy the shares and then offer them back to the public — Wood Gundy shares. Sometimes it's used to mean an agreement whereby Wood Gundy sells the corporation's shares and gets a commission. To use somewhat precise terms which will be familiar to Mr. Kyle, who sits beside you, is Wood Gundy selling these shares as a principal — are they buying the shares and reselling them; or as an agent — are they selling them on a commission?

**HON. MR. SCHOENHALS:** — As a principal, Mr. Chairman.

**HON. MR. BLAKENEY:** — Mr. Chairman, and Mr. Minister, if Wood Gundy is selling them as a principal, have you struck a deal with Wood Gundy as to the price at which they are going to buy the units from Saskoil? Or are you asking me to believe that all these deals are going to be made between now and December 9, which is said to be the offering date?

(1530)

**HON. MR. SCHOENHALS:** — Mr. Deputy Chairman, the Leader of the Opposition, the commission rate has been agreed to in principle, but will be formally agreed by the board of directors of Saskoil at the time when they approve the final prospectus.

**HON. MR. BLAKENEY:** — Well, Mr. Chairman, and Mr. Minister, we turn to the front page of the prospectus and we see some of the blanks within it. You have told me that the number of units at the top will not exceed 3.8 million. The next blank deals with the rate at which the preferred shares will earn a dividend. Has that rate been set?

**HON. MR. SCHOENHALS:** — Mr. Chairman, again, the rate will be set at the time of the filing. Obviously, that could be in the future. The numbers we have indicated are that it will be competitive, probably somewhere between seven and a quarter and seven and a half. Considering the conditions of the market today, I am advised that probably more toward the lower end of that range, which is of course an advantage to Saskoil. It may influence an investor's decision, obviously.

**HON. MR. BLAKENEY:** — Mr. Chairman, and Mr. Minister, going down to the bottom of page 1 where we come to the nitty-gritty of what Saskoil is going to get out of this transaction, and we have here a price to the public of 429, an underwriting commission that has been apparently agreed to but not yet formally encompassed in agreements, Proceeds to Saskoil. Will you indicate to me what Saskoil is going to get out of this public offering, either as a gross or per unit?

**HON. MR. SCHOENHALS:** — Mr. Chairman, just if I might, a correction. I believe, in giving you the range of interest . . . Did I say seven and a quarter? Seven and a half? Seven and three-quarters is the upper range that we estimate. I apologize. I want to correct that.

Looking at the question of what Saskoil will receive from the issue, there will be, as we have indicated, \$75 million which will flow to the Heritage Fund. So Saskoil would get the remainder of that, less commission and expenses. Obviously what I've given you is the definition of the net that they will realize. It's difficult at this time. I'm not sure I can give you a number at this moment that would be accurate, and I certainly wouldn't want to mislead you.

**HON. MR. BLAKENEY:** — That information is the same as contained on page 3 of the prospectus, that you intend to take the first 75 million and send it to the Government of Saskatchewan, and then all the rest will go to somebody, under some circumstances, all the rest being unspecified, at a commission rate which is unspecified and undisclosed.

Now are you telling me and the committee that you are unwilling to tell the committee how much Saskoil is selling the shares for to Wood Gundy per unit? We're now selling public property here, and we're going to sell it to a defined purchaser. I ask you: at what price are you selling it?

**HON. MR. SCHOENHALS:** — I think the point that has to be clarified, Mr. Deputy Chairman, is that all that information will be available in the final prospectus. Before anyone makes any purchases, they will have full opportunity to make that assessment. That's the key point, and I'm sure that the member's aware of that.

As far as the commission rate, as I indicated, it will be ratified by the board of directors of Saskoil at the time that the final prospectus is approved.

**HON. MR. BLAKENEY:** — Mr. Chairman, and Mr. Minister, I concede the point that the directors of Saskoil will presumably have to ratify a decision. Your very choice of terminology indicates that there's a decision there to ratify, that we have therefore some at least tentative agreement.

You are asking us to agree to the sale of a substantial amount of public property to Wood Gundy. All of the shares of Saskoil are owned by the Crown at this point, and will be until Wood Gundy buys any. Notwithstanding the fact that it may turn out to be a corporation set up on some other basis, all of the equity, such as it is, is vested in the Crown until someone else buys some. So Wood Gundy is going to buy it, and I'm asking at what price. If you say that the final price hasn't been agreed to, but a tentative price has, that's going to be ratified, would you tell me what the tentative price is?

**HON. MR. SCHOENHALS:** — Once again, Mr. Chairman, the details surrounding the commission will have to be approved — ratified, if you will — by the board of directors. Until that takes place, it would be improper, I believe, to make that number public. However, it will be competitive with industry rates for sale of preferred convertible shares,

And the point, however, I think that should be made is that in committee we are not asking you to approve the rate. We are asking you to approve the Bill that gives the corporation the right to make that offer. And there is a significant difference, I think. We're not debating the conditions.

**HON. MR. BLAKENEY:** — Mr. Chairman, and Mr. Minister, the minister may feel that a Bill which authorizes the cabinet to sell off public property is just that and that the legislature ought not to exhibit any interest in the price at which it's sold, but that is not my view of the responsibilities of the legislature.

My view is that if you're asking for the right to sell off public property and have indicated that you're going to do so, and have indicated to whom you're going to do it, then it's fair, right, and just for us to ask: at what price?

You obviously know, and it is simply not credible for you to say you don't know; and I ask you why you won't say. If you say that there may be some small variation, say that; but don't tell me that you don't know what Wood Gundy are going to get these shares for. You know what they're going to sell them for and you're telling me you don't know what they're going to buy them for?

**HON. MR. SCHOENHALS:** — Mr. Chairman, I indicated in my previous answer that the rate of the commission would be competitive with the industry rates. I obviously don't want to give you an exact number because the board of directors of Saskoil have to ratify that. I will say that it will be in the area, let's say, of a quarter of a percentage point either side of four. Is that an adequate answer for your needs?

**HON. MR. BLAKENEY:** — So what you are saying is that the mark-up — if I may put it that way — that Wood Gundy will enjoy will be approximately 4 per cent of the value of the issue. The value of the issue is going to be \$120 million or . . . I'll do my sums on 3.8 times 29, and that therefore Wood Gundy is going to make a mark-up of the order of between 4 and \$5 million on the sale of these shares. Is that what you're telling me?

**HON. MR. SCHOENHALS:** — I'm telling you the rate will be competitive, that it will be in the range of 4 per cent. I suppose I could wonder out loud exactly how you propose to sell the shares in your little miracle company here. Did you propose to establish Sask invest and have them sell them, or were you going to go and have them underwritten? I would assume that that's the normal way to do business, that that is a competitive rate, and if the board of directors of the Sask Oil and Gas Corporation approve it, that's what will happen.

**HON. MR. BLAKENEY:** — Mr. Chairman, and Mr. Minister, so they are to get this mark-up of . . . In addition to that, it is noted in the prospectus that expenses of the issue are estimated at blank dollars payable by Saskoil. Now the great bulk of the expenses of the issue have now been incurred, I would

suspect — the advertising, the road show, all of the other expenses which have already been incurred. Can you give us an estimate, a pretty detailed estimate, of what amount of money has already been incurred, what amount of expenses have already been incurred by Saskoil in respect of this offering?

**HON. MR. SCHOENHALS:** — Mr. Chairman, before we leave the previous point on the commission rate, I should indicate that that amount of money that you indicated the . . . We'll use the term again and make sure we have the adjective. Roughly 4 per cent will be split up between credit unions, banks, trust companies, and a considerable number of other investment dealers. To infer that it will go to Wood Gundy is not a true and accurate statement.

As far as expenses surrounding the sale of the issue are concerned, you have indicated what some of them would be. I don't have an exact . . . broken down again. Those will appear in the final prospectus and will be available for anyone who asks to purchase. I can only give you a very broad range, somewhere in excess of \$1 million and less than 2.

**HON. MR. BLAKENEY:** — Mr. Chairman, and Mr. Minister, among the many things that is already public about this issue is that the tentative offering date is the 9th of December. You tell me that at that time you will know that the final prospectus will be available. It better be, if that's the offering date.

You tell me that the expenses will be set out in that final prospectus. Do you tell me that this figure, which will be in print by next Monday, is now not at all in anybody's head except in a general way, therefore is going to hit the printer the day after tomorrow?

**HON. MR. SCHOENHALS:** — Mr. Chairman, obviously the anticipated date of filing the final is just that. It is a function of when the Act that we are now debating is passed. At that time that the final prospectus is filed, the expenses will still be an estimate, but as close an estimate as is possible at that time. And I suppose it's safe to say that the longer the Bill is in the House, the larger the expenses would be, so I would hope that the opposition would be co-operative and help us keep those expenses to a minimum.

**HON. MR. BLAKENEY:** — Mr. Chairman, and Mr. Minister, we realize that democracy is a very, very untidy form of government, particularly for the member for Sutherland, but none the less such are the infirmities of the democratic system that the minister is called upon to answer a few questions to the people who are elected.

Mr. Chairman, and Mr. Minister, I turn now to page 3 and note that on the top of the page and the convertible preferred shares after giving effect to the issue, the asset coverage is not stated. Nothing much is going to happen between now and next Monday which would affect that asset coverage. Could you please give me the figure which you believe to be the appropriate figure for that blank?

(1545)

**HON. MR. SCHOENHALS:** — Mr. Chairman, would between three and four times a narrow enough range to satisfy the Leader of the Opposition.

**HON. MR. BLAKENEY:** — Mr. Chairman, and Mr. Minister, what do you say to a figure of 3.6?

**HON. MR. SCHOENHALS:** — Yes, Mr. Chairman, that's obviously between three and four.

**HON. MR. BLAKENEY:** — And, Mr. Minister, is that not a figure which has been bandied about in the investment community already?

**HON. MR. SCHOENHALS:** — Mr. Chairman, I'm not privy to what is bandied about in the

investment community. I've asked my advisor; he says between three and four — 3.6 is obviously there. Whether in fact that is written in the final or not, I don't have it in stone.

**HON. MR. BLAKENEY:** — Well, Mr. Minister, of this about \$110 million which you expect to get from the proceeds of this issue, the gross proceeds, less 4 per cent, less expenses of the issue, of this \$110 million, approximately 70 million will be preferred shares. And you're going to have an asset coverage of the order of \$280 million then, a little less than that — 250, 3.6.

I will come to how this was reconstructed, but I want to ask you now on what basis do you say that the Crown is going to own 60 per cent of the shares? How are they going to get their 60 per cent?

**HON. MR. SCHOENHALS:** — Mr. Chairman, in order to avoid confusion I'll simply use the notes and indicate that when making a public offering of shares to the public, it's appropriate to use certain market investment criteria when determining the market value of a company. A number of the possibilities would be: price cash flow multiples, price earnings multiples, price net asset value ratio. The multiples applied to Saskoil's financial ratios are fair to the government, to the company, and to the investors.

I could give you the numbers that have been used — within again, some ranges — as well as the industry average when applying those. Price cash flow, what has been applied to Saskoil is 3.75 times to 4 times; industry average is 3.9 times. Price earnings, applied to Saskoil again, 6 to 6.5 times; the industry average is 10.6 times. Price net asset value applied to Saskoil, between 55 and 60 per cent; industry average is 60 per cent.

**HON. MR. BLAKENEY:** — Mr. Chairman, and Mr. Minister, I clearly didn't make my question clear. I will come back to the point which the minister raised in due time. But I want to ask the minister how the Crown proposes to hold its 60 per cent. Does it propose to have shares, and are the shares to be preferred shares or common shares? I'll start with that question.

**HON. MR. SCHOENHALS:** — Mr. Chairman, I would direct the member to page 7 of the Bill, Part II, I think it's section 3(6). It basically indicates that the equity advances of the government will be converted to shares.

**HON. MR. BLAKENEY:** — Mr. Chairman, and Mr. Minister, I want to pursue this point because you are telling me now that . . . I'm looking at the Act and I'm looking at section 3(7) — section 3, subsection 7 — and I note that the Act provides that the Crown will own 100 common shares, and may own some more if Saskoil agrees and if the Crown agrees. I think that's the fair interpretation, that the final extent of \$900 the Crown will get 100 fully paid common shares.

And then it goes on in 7 (b) saying: the Crown Investments Corporation . . . and Saskoil may agree to convert a loan of \$145 million . . . into fully paid common shares.

Can you tell me whether any such agreement is contemplated and, if so, the price at which Saskoil will acquire the common shares — correction — the price at which CIC will acquire the common shares of Saskoil?

**HON. MR. SCHOENHALS:** — Mr. Chairman, the answer to the question is yes, such a transaction is anticipated, and the conversion would be the same rate as the public offering, or \$9 a share.

**HON. MR. BLAKENEY:** — Mr. Chairman, and Mr. Minister, I want to be sure that I understand what you're saying, that CIC is going to pay \$9 a share for the common shares of Saskoil and going to pay it by forgiving this demand loan which is set up under the Act.

**HON. MR. SCHOENHALS:** — Yes, Mr. Chairman, that is correct.

**HON. MR. BLAKENEY:** — Mr. Chairman, and Mr. Minister, are you going to pay a commission to Wood Gundy for selling Saskoil shares to CIC?

**HON. MR. SCHOENHALS:** — No, Mr. Chairman, those shares are obviously outside the prospectus and are not part of the commission agreement.

**HON. MR. BLAKENEY:** — Then why, Mr. Minister, are you charging CIC a higher price net than you're charging anybody else in Saskatchewan? Anybody else in Saskatchewan is going to buy — so far as Saskoil is concerned, they are getting \$9 less 4 per cent, less the cost of the offering for a net of whatever it turns out to be, \$8 and something. That's what Saskoil is going to get when you sell them to the public, but you're going to charge CIC \$9. Is that what you're telling me?

**HON. MR. SCHOENHALS:** — Mr. Chairman, the fact is that everybody in Saskatchewan will pay \$9. The public will pay \$9, the people outside the province who buy them will pay \$9, and the government, when it converts, will pay \$9.

**HON. MR. BLAKENEY:** — Mr. Chairman, and Mr. Minister, this is really quite surprising. This is quite surprising, that anybody who is selling a large number of shares in a block — \$145 million worth — would want the same price as selling one; one unit of \$29.

You admit, sir, that this is going to cost you, to sell \$110 million worth of these shares gross, it's going to cost you 6 or \$7 million. By the time you pay your expenses of the offering, which presumably you don't have to pitch CIC — presumably you don't have to have a road show to convince CIC — and you're paying 4 per cent to Wood Gundy, now there is, therefore, a net yield to Saskoil which will be significantly less — 5 or 6 per cent less — than you will get, that the public will pay.

Why are you saying to CIC that they've got to pay a price which includes all of these items? This is simply not normal, sir. This is simply not normal. I invite you to look at offerings such as Ipsco's offering to the Government of Saskatchewan and Alberta when they made a large block offering. They did not charge a price which, in effect, included commissions and all the rest. There was a discount, and you ought to get a discount on this basis of 6 or 7 or \$8 million. You're still telling me that that's going to be converted at a price of \$9 for the common shares?

**HON. MR. SCHOENHALS:** — The share, once again, the cost of the shares to the purchaser, be they public or government, will be the same. The cost of selling them to Saskoil will be . . . of selling the share, will be the cost of selling the shares on the public market. If you're suggesting that the public is getting a slightly better deal than CIC in this case, I suppose that is arguable. That may in fact be, but the purchasers will all be treated the same and pay the \$9 per share.

I should indicate again that when the Leader of the Opposition indicates that the 4 per cent will go to Wood Gundy, that is not correct. It will go to all the folks who sell shares, and they're obviously setting a political argument that I don't think is fair.

**HON. MR. BLAKENEY:** — The 4 per cent that is going to Wood Gundy or its agents — or its agents — selected by it, on deals made by it, over which the minister has no control. Now what the minister is now telling us is that he's selling about \$110 million worth of these shares to Wood Gundy at a discount of \$5 million, and he's not going to give the same discount to CIC.

**AN HON. MEMBER:** — Is that what you're saying?

**HON. MR. BLAKENEY:** — Of course that's what he's saying. Of course that's what he's saying. What's \$5 million between friends? Why should . . . He is saying, why shouldn't Wood Gundy be able to buy shares of Saskoil cheaper than the CIC can? Well I'll say why they shouldn't, because CIC is costing the Saskoil less money, less expense to sell those shares than it's costing them to sell them to Wood Gundy. AND, at least, CIC should get them cheaper because Saskoil is undertaking an extensive advertising campaign to sell the Wood Gundy shares and no advertising campaign to sell the CIC shares. But are you still telling me that you're selling Saskoil shares cheaper to Wood Gundy than you are to CIC?

(1600)

**HON. MR. SCHOENHALS:** — Mr. Chairman, let me try once more to deal with the shares that are being sold through the prospectus. Wood Gundy and its agents are purchasing the shares from Saskoil for \$29. They will then distribute those shares across Canada and sell them to the public at the same price. In return for doing that, Saskoil will pay them a fee. That fee will be established at some percentage of the amount they pay for the shares. That's used as a guideline in order to establish the fee. There is an actual sale taking place.

In the other shares that we are discussing, which are the government of CIC's equity in Saskoil, there is no sale taking place. There is a conversion. The equity that is owned at the present time is being converted into shares. It does not seem reasonable that we should pay anyone a commission for making that simple conversion, and that's all that's taking place.

**HON. MR. BLAKENEY:** — You're certainly right. You are certainly right, Mr. Minister, in saying that nobody should pay a commission, but you are forcing CIC to pay that commission, because . . .

**AN HON. MEMBER:** — Saskoil is.

**HON. MR. BLAKENEY:** — Your answer now is different than the answer you earlier gave me about whether Wood Gundy was buying these shares as a principal or an agent. But I understood you to say that you were selling these shares to Wood Gundy. That was your earlier answer. And you were selling them at \$29 less a commission, or less an underwriting fee of approximately 4 per cent. That's what the record will show.

If this be so, then you're selling them to Wood Gundy for \$5 million, or approaching that, less than 3.8 times \$29. Now I want to know why Wood Gundy should get the \$5 million benefit and not CIC.

**HON. MR. SCHOENHALS:** — I'll try one more time — and I'm sure that we don't have a gap here somewhere in our logics. The point, Mr. Chairman, is simply that Wood Gundy and its agents, or Wood Gundy in this case, will purchase the shares for \$29 — \$10 each for the preferred convertible, 9 for the common. They will sell them to the public at the same price. Saskoil will pay Wood Gundy for doing that distribution. They will pay them a percentage of the total that they take. Wood Gundy will pay \$29; the public will pay \$29. In converting the equity that CIC already holds in Saskoil shares, there's no need for a distribution fee, and Saskoil and CIC would simply be transferring anyway. So the point is that in one case, there's a distribution fee, and in the other case, there is not.

**HON. MR. BLAKENEY:** — Mr. Chairman, and Mr. Minister, you're playing games with me. When you tell me that Wood Gundy is buying that share for \$29, if Wood Gundy is buying the share for \$29, why don't you say good luck to you; do what you like with it, but it's up to me to pay your expenses to sell your share. Either Wood Gundy is buying those shares as an underwriter and selling them to whoever they like, or they're selling your shares, Saskoil shares, and getting a fee for it.

I'm asking you again whether Wood Gundy are underwriting these shares. Are they going to pay you for the shares?

Let me put it this way. If, in the event that the shares didn't sell . . . Suppose that the prospectus covered 3 million units, and in the event that the shares didn't sell to the general public, who has the shares? Are they shares that didn't sell, or are they Wood Gundy shares?

If Wood Gundy bought them, they're obviously Wood Gundy shares. If Wood Gundy didn't buy them, they're obviously Saskoil shares. Now tell me what the deal is.

**HON. MR. SCHOENHALS:** — Mr. Chairman, at the time of closing, Wood Gundy will present Saskoil with a cheque for \$29 times the number of shares that they purchase. The second



transaction, which is their remuneration for distribution and for taking some risk — and they are taking some risk — is what we have already discussed, and that is a separate transaction. So, yes, Wood Gundy is the principal underwriter and will pay Saskoil \$29 a share, and they will sell to the public at that price.

**HON. MR. BLAKENEY:** — Shortly put then, Mr. Minister, why should Saskoil pay Wood Gundy anything to sell Wood Gundy shares to the public? If Wood Gundy has bought your shares and paid for them, why should you pay Wood Gundy's expenses in selling what they own?

**HON. MR. SCHOENHALS:** — Mr. Chairman, the whole purpose of this exercise is to get a wide distribution across the province to let the people of Saskatchewan invest in their Crown sector. It is not our intention to have Wood Gundy end up owning all the shares in Saskoil. Now the reason that they would agree . . . I guess they would pay them to do it because they agreed to pay them to do it, and they don't want to have to do it themselves.

**HON. MR. BLAKENEY:** — That, Mr. Chairman, and Mr. Minister, sets the stage fairly effectively. Saskoil is going to . . . The minister tells me — which I can hardly credit the answer that he just gave me, but never mind. Let's assume that that's his understanding of the facts. Why are you charging CIC a greater figure than you're charging Wood Gundy? When Wood Gundy decides that they're going to buy shares, you then pay Wood Gundy an extra fee to buy them. That's what it amounts to. Why don't you give CIC the same benefit? Why won't you allow CIC to buy the shares at the same price, net to Saskoil, that you're selling them to Wood Gundy for?

(1615)

**HON. MR. SCHOENHALS:** — Mr. Chairman, once again, to try another tack if I might, CIC at the present time holds the equity in Saskoil. The decision has been made that CIC will sell a portion of that equity, in this case to Wood Gundy, and by the terms of the agreement Wood Gundy and their agents will distribute those shares on a wide distribution basis throughout the province and, in fact, on a national basis.

In return for the pool of capital that they will acquire, Saskoil will cover the costs of that distribution. CIC will convert its remaining equity to shares and will receive a \$75 million dividend which is the benefit to it. To pay some sort of commission for converting those would be to dilute the value of the share, and I don't think would be particularly reasonable. I am not exactly sure when the questioning is taking us but we'll try once more.

**HON. MR. BLAKENEY:** — Apparently, Mr. Minister, this is yet another story. You just told me, Mr. Minister, that there were CIC shares that were being offered, that CIC had converted its shares and that they were going to sell off part.

Now this is not what this prospectus says. This prospectus says that these are treasury shares coming from Saskoil and not CIC. You just told me that they were CIC shares. Now, I don't believe that. I believe you're wrong. And certainly, if they're true, then the fellow who wrote this prospectus doesn't have clearly in mind what you have in mind. Would you clear that up?

**HON. MR. SCHOENHALS:** — Mr. Chairman, in substance it's a distribution of equity; I think that's clear enough. In a technical sense, fine, but in substance CIC is distributing its equity.

**HON. MR. BLAKENEY:** — Mr. Chairman, and Mr. Minister, I don't think in substance that's true at all. I will have an opportunity to take you through this balance sheet and you can tell me what single dollar of CIC's equity as it stands with this balance sheet is going to find its way to Wood Gundy — just a single dollar of it.

I'm going to try to pursue that, but I want to pick up on the point. You have just told me, you just told us yesterday, and you keep telling the press, that there was going to be a \$75 million dividend to the Heritage Fund. Now you tell me that there's going to be a \$75 million dividend to

CIC. Maybe CIC is going to send it over to the Heritage Fund; I don't know. And I believe you today and not yesterday, by the way.

There are other things in this prospectus which are not consistent with the dividend to the Heritage Fund. I will refer you to page 41 where it said, on such and such a date — another blank — \$91 million equity advances was received from Crown investments corporation and used to repay a \$91 million equity advance from the Heritage Fund.

So somebody is going to clean out the Heritage Fund's interest in Saskoil, pay it off, invest all the equity in CIC. I ask you: is that true? Is a dividend to be paid? And to whom is the dividend going to be paid?

**HON. MR. SCHOENHALS:** — That comment is correct. To go back to the previous issue on how we did what, another option would have been for CIC to take that equity and convert it to shares, and then they could have hired Wood Gundy to sell them. That's not the way we chose to do it. We chose to do it the way that we have laid out. That would have cost the government more money. You seem concerned that that not happen, but your interpretation of the routing, if you will, of the dividend is correct.

**HON. MR. BLAKENEY:** — Thank you, Mr. Minister. You just told me that that's not the way you chose to do it. Fifteen minutes ago or 10 minutes ago, you just told me that was the way you propose to do it. It would certainly redounded to CIC's benefit because they would obviously have got their shares cheaper by that route . . . (inaudible interjections) . . .

**MR. CHAIRMAN:** — Order, order!

**HON. MR. BLAKENEY:** — Mr. Chairman, and Mr. Minister, you are now telling us that no dividend is going to flow from Saskoil to the Heritage Fund, but the dividend is going to flow from Saskoil to CIC. Is that accurate?

**HON. MR. SCHOENHALS:** — The dividend will flow from Saskoil to CIC to the Heritage Fund. CIC will declare the dividend to the Heritage Fund.

**HON. MR. BLAKENEY:** — Well, we'll have an opportunity to pursue that if, and when we ever get a CIC report, and I don't know whether I'm going to live long enough to examine the books of CIC.

Well, as will be known to the members of this committee, the 1983 annual report of CIC has not yet been before the Crown Corporations Committee, and the 1984 annual report has not been before the Crown Corporations Committee. And if we wait a few weeks, we'll presumably have a 1985 annual report, and presumably at that time we'll have a new minister who will be able to answer for CIC — perhaps for Rosemont — and we may be able to get at that. But I won't try to deal with that now. I will try to get back on the Bill and try to . . . (inaudible interjection) . . .

Well, the minister has been saying day after day after day that a dividend was going to be paid to the Heritage Fund, and it was a little hard to see just how this was going to come to pass in the face of the prospectus which has been circulating. It will be observed that in the prospectus there is no reference to the Heritage Fund but only to the Crown investments corporation, the dividends.

Now, Mr. Chairman, and Mr. Minister, I invite you to look at your prospectus or the annual report of Saskoil, but perhaps the prospectus is the easiest one, on page 34, at the financial statement. Do you agree, sir, that the equity of the province of Saskatchewan as set out there is \$145.5 million, together with \$78 million in retained earnings? And do you agree that the proposal is to convert the \$145.5 million to common shares at \$9 per share, and that proposal is that the \$78 million stay on the books of the company in effect for the benefit of the shareholders, whoever they may be?

Another way to phrase that might be that the \$75 million dividend was to be deducted from that. Suit

yourself. But what do you say the equity of the province of Saskatchewan will be after these two transactions have been completed — thus the marketing under this prospectus and the conversion of the 145.5 million to common shares?

**HON. MR. SCHOENHALS:** — Mr. Chairman, the province's equity will be the shares that have been, or the 145.5 that has been converted to shares, plus their share of \$3 million, or 78 minus 75 that is still in there for the benefit of all the shareholders. The market value, however, will be higher than that.

**HON. MR. BLAKENEY:** — Mr. Chairman, and Mr. Minister, you will agree that there will also be 3.8 million units of shares sold, which on our calculations . . . which will be about 11.4 million shares of some kind. I'd have to work it out roughly. That is the distribution, is it? The Crown will not buy any more shares or sell any more shares, but at the end of this offering, there will be the 3.8 million units outstanding, together with the approximately 16 million common shares which will come from the conversion of the 145 million, which is about right, I think, and that is how the share structure will sit. The public will have about 3.8 million commons and 7.6 million preferreds, and the Crown will have no preferreds and whatever the appropriate figure is — 16 million commons. Is that what we're talking about?

**HON. MR. SCHOENHALS:** — Mr. Chairman, that is approximately right. You've used the maximum number in your assessment of the public shares, but that's approximately right.

**HON. MR. BLAKENEY:** — And that, in the judgement of the minister, is the 60-40 split to which he earlier referred, and that we're not talking about the Crown acquiring any other shares, or in any other way putting in any more money in order to establish its 60 per cent to which you referred?

**HON. MR. SCHOENHALS:** — That's correct, Mr. Chairman.

**HON. MR. BLAKENEY:** — So we then come back, Mr. Minister, to the fact that what you're selling off, in effect, is 40 per cent of the company for about a net of just over \$100 million to the Crown, assuming that the 3.8 million units are all sold, and you would get 100 and 105 million. And that's what you're getting for 40 per cent of the company. Therefore, I can work that out and say you're putting a value of about 240 or 250 million on the company.

I want to come back to that. I want to come back to that because, as I tried to make clear in my presentation during the second readings speech, I think that's a gross underevaluation of the company. The Crown is buying its 60 per cent with its 145 million; the public are buying their 40 per cent with 105 million net to the company. The Crown is, on a net basis, paying more than the public, and we've already worked through that, what I think is a very unusual provision. Why do you feel that the company is worth that relatively small sum of money?

(1630)

**HON. MR. SCHOENHALS:** — Mr. Chairman, the Leader of the Opposition I believe has asked how we have determined the market value of the corporation to be somewhere at \$240, \$250 million with the number of them used. As I indicated in an earlier answer, there are a number of methods. I named three of them and how we had made those calculations, what was used, what industry averages are. The answer is that you cannot assume market value to be the value of the reserves. You have to determine the market value by comparing Saskoil to other corporations of similar size, and so forth.

In order to look at the reserve value, that has to be discounted, and the comparison for market value has to be on the basis of other oil and gas corporations. Consequently, you can go through the methods that were used, whether it would be price cash flow, price earnings, or price net asset value by the numbers we use — are all there, the industry averages are there, and consequently the determination that that is the market value of the corporation.

**HON. MR. BLAKENEY:** — Well, Mr. Chairman, and Mr. Minister, we'll have an opportunity to pursue this at a little more depth, but I want you to look at your balance sheet on page 34, and you will note that the property and equipment item as at August 31st, 1985, is 211 million, made up of 65 million in equipment and 145 million in property which, for ease of reference, I will just call reserves, although it includes whatever else may be appropriately under that heading.

Now, I want you then to look at your own figures on page 10 to which you referred us, and on the middle of the page, if we insert for that \$145 million figure for the reserves. Coles Nikiforuk's figure, discounted at 15 per cent of 484 million, then we get a very substantial increase of about 330 million extra value in the company.

Now, even if one took the very cautious — surely cautious — figure of a 20 per cent discount rate, and you will note that Coles Nikiforuk uses 10, 15, and 20, you get an extra 200 million. But that is surely too cautious. Saskoil's reserves are valued at the Coles Nikiforuk Pennell report at a 20 per cent pre-tax discount rate at 396, as we can see there, which is significant increase over their book value of 145, and it is certainly . . . If we insert — and I suggest the 15 per cent one, the middle column, is the reasonable one — 464, we get an equity of about 550 or \$560 million for the value of the company, just on your balance sheet. Just strike out the 211 and put in the new figure of 550, and then you get a much larger equity for the province of Saskatchewan.

And I ask you why you do not think that is a reasonable method of calculating the value of the company. Why do you think that the . . . Admittedly, you may wish to have some discount on that, but why do you think that 's not reasonable?

**HON. MR. SCHOENHALS:** — Mr. Chairman, obviously this is the discussion that we initiated, or that the Leader of the Opposition initiated, in second reading, and we are basically discussing the difference between an asset sale and an equity sale.

If the corporation chose to sell its assets, obviously that's a liquidation, and you could do that. Using that value of the company, you could go to an Esso or a Shell or some major company and get a much higher price for the corporation by selling the whole thing at that value. That's fair enough. But the problems with the Leader of the Opposition's numbers come in terms of the discount rate that he has used. The industry norm would be something in the 20 to 25 per cent range, so that would be the first point.

Secondly, and I think this has been made clear, the engineering consultants have not done a risk adjustment on the probable reserves, and that risk adjustment, as I indicated to your seat-mate earlier, will be included in the final prospectus, and he took some bother to go through the risk possibilities.

The point is, when selling equity, you are competing with other corporations who are floating issues on the market, and it is a different exercise, if you will, than selling assets. If the intention of the sale were to realize money, the largest amount of money possible in the Crown, you would make a sale to a large, cash-rich corporation. The intent, the purpose of this offering, is to offer to the people of Saskatchewan an opportunity to invest in this oil company. Consequently, it is an equity offering that has a different meaning, and the Leader of the Opposition can simply not strike out the one number and put in another number at his whim. It simply isn't reasonable.

**HON. MR. BLAKENEY:** — One last question, and then I'm going to get a paper or two, and one of my colleagues will pick it up. You were just saying that the discount rate in valuing reserves of this nature, the industry averages between 20 and 25 per cent. Would that fact not have come to the attention of Coles Nikiforuk? Why do you suppose in their report, which you have included in your prospectus, why have they selected 10, 15, and 20, as opposed to the figure which you say is the industry average? Are you suggesting that Coles Nikiforuk are not familiar with the industry average and that you are rather more informed on this matter than Coles Nikiforuk?

**HON. MR. SCHOENHALS:** — Mr. Chairman, the Leader of the Opposition, the point we're making is that the number that Coles Nikiforuk had provided . . . if an Esso, as an example, chose to make an asset purchase, they would discount that number by 20 to 25 per cent. In an equity offering, the discount is considerably higher. Advisors say 45 to 50 per cent, possibly, but the point is that there is a considerable difference between an anticipated asset sale and an equity sale. They are not identical.

**HON. MR. BLAKENEY:** — One last question, then. If Coles Nikiforuk are giving you a figure which is not applicable to an equity sale and not applicable to an asset sale, to what is it applicable?

(1645)

**HON. MR. SCHOENHALS:** — Coles Nikiforuk are providing a base point from which to make these adjustments. As I have indicated two or three times today, in the final prospectus there will be a risk adjustment included in the statement.

**MR. SHILLINGTON:** — Well, Mr. Minister, it is my understanding that these shares are to go on sale on December 10th. Am I correct about that, or have I got that date wrong?

**HON. MR. SCHOENHALS:** — Mr. Chairman, the target — it is a target — is to file the final prospectus on December 9th. Assuming that that happens, then the shares will be for sale. Whether or not that takes place is in the hands of the opposition. Once the Bill is passed, we will then be in a position to file the prospectus.

**MR. SHILLINGTON:** — Exactly my point, Mr. Minister. If you have to have the prospectus in printed form — and several million copies by my calculation — you must have such details as a risk factor right now. Mr. Minister, would you disclose it to us? You must have it. It is simply not credible to tell this House five days away from the filing of the final prospectus you don't have the figure.

**HON. MR. SCHOENHALS:** — To clarify for the member from Regina Centre, in the final document the numbers that appear will not change, as is required by the securities commission. There will be a statement in bold face that says, in fact, there is some degree of geological engineering risk associated with probable reserves. The Coles report has not applied risk factors to allow for risk associated with probable reserves. And then there will be another section which will describe risk with a risk adjustment. There will be no change in the numbers.

**MR. SHILLINGTON:** — Mr. Minister, you must have those figures right now.

**AN HON. MEMBER:** — He's looking at them.

**MR. SHILLINGTON:** — Yes, I think you're looking at them. Are you prepared to share that with us, Mr. Minister?

**HON. MR. SCHOENHALS:** — Mr. Chairman, we, of course, have the numbers that we would propose to put in the final prospectus and we are targeting that. The point is that we do not propose to make those public and it would be very unusual for those numbers to be made public before the final filing because there could be a number of circumstances changed. The other unknown in this instance is that the date of December 9th is, in fact, a target, and whether or not . . . I've seen the opposition ring bells over things that were far less meaningful. We have no way of knowing when this will, in fact, take place. So, no, the point is we do not have those numbers to provide you at this time.

**MR. SHILLINGTON:** — Mr. Minister, if what you tell us can be believed, I'll tell you this has been about as confused an afternoon as I have ever seen. But if what you say can be taken at its face value — and I don't believe that for a moment. I don't say you're misleading the House intentionally, I just do not think that you know what you are talking about.

Mr. Minister, if what you're telling this House can be relied upon, there will be total shares of 27.5 million. That's the figure you get when you add up the 11.4 million shares from the float that's going to be sold, and the 16 million shares which CIC is going to keep. You got 27 million shares. If you divide that figure into the value of the . . . discounted at 15 per cent which is a norm in the industry, not 25 — discounted at 15 per cent — if you take the value of the proven reserves discounted at 15 per cent, that's 484 million. Add into that the retained earnings at another 78 million. Call it 550 million.

Mr. Minister, each of those shares is represented by \$20 worth of value. You're selling them for about 6 to \$7 each. You're selling a share which, if the company has nothing but the proven reserves and the retained earnings, each share is represented by \$20 in value. You're selling for \$6, Mr. Minister. I ask you how on earth you can give away the assets of this company in the fashion you're doing?

**HON. MR. SCHOENHALS:** — Mr. Chairman, I will try one more time for the benefit of the member from Regina Centre, and I possibly should try to pay attention. When he returns to the private sector after the next election, his law clients might not be too impressed with his performance today, but . . .

There is a difference between sale of assets and sale of equity. We have tried to make that clear. I believe your Leader is beginning to grasp that. You can take industry average, if you will. I can go through some companies and what they are valued at, or trading at. Saskoil will be sold . . . they will be valued, I should say, at about 60 per cent of price net asset value.

All right, to go through some other very similar corporations just for comparison: Aberford, for instance, is at 51 per cent; Alberta Energy at 60; Bonanza is at 54; BP Canada is trading at 49; Canadian Occi at 56; Canadian Roxy at 57; Canterra at 65; Chieftain at 70; Dome at 62, and so forth, and I could go through the entire list.

The point is that in terms of equity, it is reasonably priced. We are competing in the market with these other companies, and it is not reasonable to indicate that asset value and equity are the same thing, and that is the point of it and we may have to continue to repeat that until it becomes obvious.

**MR. SHILLINGTON:** — Well, Mr. Minister, I have a modest familiarity with the stock exchange myself. I can tell you, Mr. Minister, that shares are not discounted to 25 per cent of the value of the proven reserves. Mr. Minister, if the proven reserves are valued at \$484 million, and at some point in time I'm going to ask you to share Nikiforuk's report with us since it's our money, in effect the taxpayers' money, that you're giving away.

But, Mr. Minister, let's assume that they have accurately valued it at 884 million. Each of these shares, each of the 27.5 million shares, is represented by \$20 in value in the reserves alone. You're selling them for 6 million. You are selling them for 25 per cent of what they're valued. Mr. Minister, that is not reasonable. That is simply not reasonable by the standards of any float, particularly a company of this nature. You wouldn't discount the shares of a fly-by-night oil company to that extent, much less a company of this sort.

Mr. Minister, I want to ask you a couple of questions. First of all, do we agree that the total issued, that when all the dust settles, the total shares will be \$27.5 million — 27.5 million shares. That's 11.4 million public shares — 16.1 million shares to CIC. Is that agreed, that the total shares are going to be 27.5 million?

**HON. MR. SCHOENHALS:** — First of all, Mr. Chairman, I would agree, as the member indicated, that he does have a modest understanding. I will repeat once more: as far as asset value is concerned, if we chose to pursue an asset sale the lower discount level that you have indicated would be probably used and you would probably realize a considerably larger value if you sold to Esso. It is not our intention to sell to Esso; it's our intention to sell to the folks. And that is not nonsense; that is absolute fact.

As far as the question that you have asked, it is not possible at this time to give you an exact number of shares. It cannot be done in oil pricing. I have provided the Leader of the Opposition with a number that is approximate, in order to facilitate the discussion. In fact, we said that would be the maximum that would be offered, but it's not possible at this time to determine the number until the pricing takes place.

**MR. SHILLINGTON:** — Is the maximum number of shares 27.5 million?

**HON. MR. SCHOENHALS:** — Mr. Chairman, no, we cannot give you an absolute number. That is part of the pricing. That has not taken place and will not until the final is filed.

**MR. SHILLINGTON:** — Mr. Minister, you told us there was 3.8 million units. That will result in 11.4 million shares if they're all taken up. That's the maximum. You told us that you were going to convert without giving the company the benefit of the discount to Wood Gundy. You told us you were going to convert the 145 million into \$9 shares. That results in 16.1 million shares. By my calculation, Mr. Minister, that adds up to 27.5 million. Is that not the maximum number of shares? If it is not, then what is the maximum number of shares?

Mr. Minister, it is ludicrous and an insult to this House to suggest that you don't know the maximum number of shares after this float is finished. You must, Mr. Minister.

**HON. MR. SCHOENHALS:** — For the reasons we cannot provide the exact numbers, the book value is \$145 million — book value. The fair market value will be something higher than that. That exercise has not been completed as yet. When that exercise is completed we will have a number that is slightly higher than 145 million. That number will be divided by nine and we will have the number of shares.

**HON. MR. BERNTSON:** — Mr. Chairman, obviously the member opposite has some small deficiency, not only in understanding what the Minister of Energy is trying to do, but also has some small problem with telling the time.

The committee reported progress.

The Assembly adjourned at 5:03 p.m.