

EVENING SITTING

COMMITTEE OF THE WHOLE

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

Clause 1 (continued)

MR. LINGENFELTER: — Mr. Chairman, I wanted to get from the minister the salary of the five senior officers who are mentioned in the share option on page 31. I want to get that straight — if that's the same five officers who are listed on that page with a grand remuneration of \$481,996. Would that be the same five?

HON. MR. SCHOENHALS: — Mr. Speaker, it's clearly indicated on page 31 that the . . . Well the names, first of all the five senior officers at the bottom of page 30, the aggregate remuneration on page 31, and then you'd notice the footnote that this group comprises the five senior officers, Saskoil, in receipt of the largest amounts of remuneration. We believe that those are the five listed. There's a possibility that one of them may be in sixth place, one other, but that's certainly representative.

MR. LINGENFELTER: — The other thing that I would want to say — that if you work that out, the five would be earning an average then of \$96,000 per year, and that doesn't include the cost of their pension plan. If you throw in the cost of their pension plan you're looking at well in excess of \$100,000 a year.

Do they have expense accounts in terms of an automobile allowance, or do they have a car to use, or an expense allowance for an automobile? How is that set up for them?

HON. MR. SCHOENHALS: — Mr. Chairman, automobile allowances and so forth — that's all inclusive. I would indicate that by industry standards that is an extremely lean senior management group in terms of pay.

MR. LINGENFELTER: — Mr. Chairman, after watching this government handling people at the other end of the spectrum who are not treated in this way with cuts and that, I say that these officials . . . (inaudible interjection) . . . Well my colleague from Regina North East says zero increases and I remind the group here that we have seen 40 per cent cuts for some of them, and my colleague from Regina North East has very ably pointed that out.

Here we have officials who have over a 100,000 a year if you include the cost of their pension benefits, and the minister is saying that's very reasonable and he may be right. But when we move onto the share options — and I want to spend some time on this, the five senior officers — I would like you to give me the names, because I don't think it's good enough to simply say it might be these five or it might be the odd . . . a different person. Will you give me the five senior officers who you have written in your prospectus, will have the options on these shares up to February 28th. Will you give me the names please?

HON. MR. SCHOENHALS: — Mr. Chairman, I'd invite the part-time MLA and full-time teacher from Regina North East, if he wants to get invited to debate, to get on his feet and get involved.

To the member from Shaunavon, the senior management — the people are listed in the prospectus in 30, 31. That's a requirement of the securities commission. It's all open and above board. Do you want me to repeat the names or did you want to read them?

The names are William John Douglas, Dale Murray Christensen, James Gerald Gribben, Harold Wilbert Johnson, and Donald Lander Tough.

MR. LINGENFELTER: — The five senior officers — page 31 it refers to the maximum aggregate

number of common shares that may be purchased under the option will be 50,000. It's not clear whether that is per individual or as a total for the five, and I would like that clarified.

HON. MR. SCHOENHALS: — Aggregate, Mr. Chairman, means total.

MR. LINGENFELTER: — Are you saying a total for an individual? Is that 50,000 for each individual?

HON. MR. SCHOENHALS: — Total for the five, aggregate.

MR. LINGENFELTER: — The point that I want to get to is the \$9 per share which they will have an option to buy up to February 28th. We have spent now two days, and I think in many people's minds have established that these shares are, to some extent, undervalued. Many people will say substantially undervalued. And we have here the five senior officers who will have a direct advantage if that is the case.

I think it's very clear, very clear, that the five senior officers have a direct advantage in undervaluing the share offering. Where the offering, if it's undervalued by \$2 — let's use \$2 — it will mean \$100,000 for the five individuals or \$20,000 each. If they're undervalued by \$5 a share, it would mean 250,000 or \$50,000 each.

Now there are those, sir, who would say that there's a conflict of interest when you're setting the share price and given an option. And we will see, in the two months that follow up to February 28th, whether or not we're accurate.

But I would ask you whether or not you would see this as a conflict, when the same people setting the share price in fact are . . . could, and probably will get a fair shot at money back as a result of this share option.

HON. MR. SCHOENHALS: — Mr. Chairman, and to the member: again, the member has absolutely incorrect facts. I have said in this House — the securities commission is aware — the five individuals have no role whatsoever in pricing the shares. Second point: it is amazing to me that that member stands in his place tonight and argues that the people of Saskatchewan, that the people of Saskatchewan should pay more for these shares.

He opened second reading debate, and his first point was: who would take part? The normal Saskatchewan person can't invest. Mr. Chairman, and then he argues that they should be priced higher. Totally inconsistent that it's almost hypocritical, although I hate to use the word. The shares are reasonably priced, and their performance in the after market, we'll have to wait and see if that is in fact true, but we believe the best advice we can get, that the shares are reasonably priced and we will see by the performance.

But to stand, as he indicates, for two days and argue that the shares should be raised, that they should cost the people of the province more, and then to argue that the small investor can't take part, is totally, Mr. Chairman, totally inconsistent.

MR. LINGENFELTER: — The Minister, again, shows how little he knows about what is taking place here. He is either ignorant of what's going on here, or he's hiding something — one or the other.

Because I'll tell you when you put out a share option to the five senior officers, 50,000 shares at \$9, and they will have the option of selling them the same day on February 28th if they've gone to \$15 — buy them at 9 in the morning and sell them at \$15 in the afternoon, or not even buy the shares; sell the option to a friend or to another company — I say to you that that is unfair. I say to you that it shouldn't be allowed.

And I would ask you at this time if you would withdraw this section so that it wouldn't come into place. Because I think it's unfair for the people of the province who own the oil company, either originally or after the share sale, because obviously somebody could get a windfall profit without

any risk being taken, which is in direct contravention and against everything that you say you believe in.

But I say to you it fits well with what Conservatives across the piece believe in, and that's those at the top. Those at the top deserve more and those at the bottom get less. And that's what's happening here.

The people who have a \$100,000 a year income and have had from the taxpayers of this province for two, or three, or four, or five years, are now going to make a windfall profit. You know it. And I say to you that there's a conflict of interest here and you should clean it up.

Because I want to tell you that the people of the province, when they see the money that is made here by February 28th, are not going to be very happy with you, because you are the minister in charge. I don't blame them for trying to make a buck here. That's your philosophy and that's what they believe in. But you're the minister responsible for, and morally obligated to defend the taxpayers of this province, and I say you're not doing your job.

HON. MR. SCHOENHALS: — Mr. Chairman, a number of comments. First of all, again erroneous information. And I don't believe he's doing it intentionally; I just don't think he knows. The senior executives cannot sell the option that they've been given. The argument that once again that the people are going to somehow lose . . . This is a reasonable stock option, executive stock option, that has been reduced. I will direct your attention to page 32 of the prospectus, the second paragraph, and I will read it into the record so you're aware of it.

Upon Saskoil granting options to its five senior officers to purchase Common Shares of Saskoil (reference is made to 'Share Options'), it will cease to be exempt from federal income taxes by virtue of subparagraph 149(1)(d)(i) of the Act. Upon ceasing to be exempt from federal income taxes, subsection 66(11.1) of the Act will cause certain other provisions of the Act, generally known as 'successor provisions', to apply to Saskoil. The successor provisions essentially provide for the continuation of unamortized balances of Saskoil's Canadian Exploration Expense, Canadian Development Expense and Canadian Oil and Gas Property Expense for future amortization but only against income from Canadian resource properties in which it had an interest immediately prior to the event invoking the successor provisions.

MR. LINGENFELTER: — Well the minister will try to take off on a different tangent, and here again I say either he doesn't understand the Bill or he's trying to cover up what is really happening. And I say to you, Mr. Minister: can you explain why these five senior officers will have the option on these shares? And everyone will know they have the potential of making a windfall profit. What is the reason for it? They haven't gone out and put together a package in an open market where there's competition from other oil companies, which is normally the case. This is a closed deal. Other oil companies can't come in and compete against these five directors in trying to set up or to purchase the oil company. It's a closed shop. What is at risk here? And I would like you to outline why this is necessary, that this kind of a share offering and option is being allowed.

HON. MR. SCHOENHALS: — Mr. Chairman, and to the member, as I indicated this afternoon when we went through this, this is standard, routine, private sector practice. The term has been shortened, in effect, anticipating the type of relatively off-beat, shall I say, arguments that the member has used.

The point as I made this afternoon, if, in fact, there are windfall profits to be made — which I strongly doubt and I think anybody that considers this seriously knows that — if there are windfall profits to be made, the investors will gain them as well, and I don't think any investor is going to look at this and find anything wrong with it. Once again now, I repeat, if there are investors who feel this is an unfair provision, they don't have to invest. For the first time in the history of the province people have a choice, a choice whether they want to invest in the Crown sector or not.

MR. LINGENFELTER: — Well the minister says that this is a standard arrangement in this kind of a

deal. Well I say to you that this has never happened before in Saskatchewan. This kind of a deal has never happened where you're setting up and taking out of a profit-making Crown corporation and setting up another company, not in an open competitive market where there's 50 oil companies bidding on it and assessments being done and appraisals being done. It's a closed deal.

(1915)

They're not competing with five senior officers in any other oil companies. Nobody's competing with them. They're just taking the shares, a \$100 million out of Saskoil, and setting up a company. What do they need this kind of incentive for when the job's done? They've been paid 100,000 a year. They're getting paid 100,000 a year. Why do they need this extra windfall profit, is what I'm asking you. Why do they need that? If there is money to be made, why not turn it back to the people, who are going to be buying the shares, who are taking the risk?

You're saying, well if they're making money, then the people who are buying the shares at \$29 are going to make money. The difference is, if you haven't noticed, is the people who buy the shares originally are taking a risk. The five senior officers will take no risk. And even by your own standards, your own philosophy, that shouldn't be happening. Because if the free market, you shouldn't be able to make money without taking a risk, by your philosophy. And I say to you that this provision should be removed because it's unfair to the rest of the shareholders.

HON. MR. SCHOENHALS: — Mr. Chairman, once again a relatively normal, private sector clause . . . In fact, the new board of directors, once in place, may consider whether in fact they want to extend the period, as the Leader of the Opposition indicated that normally the period for such options was longer. And they may consider that.

When the member opposite argues that this is the first time this had happened, yes, there's no question about that, because this is the first time that the people of the province have had the opportunity to make a decision. There's no question. There's new ground being struck here in a whole lot of ways, and the fact that a wide distribution of Saskatchewan people will have this opportunity, will look at this and find nothing wrong with it, I think is evidence that there is nothing unusual about the executive stock options.

MR. LINGENFELTER: — Well the difference is, Mr. Minister, that in the private sector when you have officials of the company getting this kind of an option, they will have put money into the company at the ground floor. And use the examples of people who are involved in the industry. Take for example Eldon McIntyre at Gull Lake or Jim Greenslade at Shaunavon. When they get options like this in companies they are setting up, they've done work at the ground floor and invested money and risk. Now I ask you: what risks and what money have these five officers invested in this company? Tell me that.

HON. MR. SCHOENHALS: — Mr. Chairman, it just so happens that the two people who are mentioned are well known to our financial advisors. The fact is they're no way comparable to senior executive people. They're investors in the corporation. Senior executive people . . . Any major Canadian company, as this is, who was going to the market with its first issue, would offer, quite conceivably, similar executive share stock options to its senior executives. And senior executives are not necessarily the people that built the company. The comparison is simply inaccurate. It doesn't fit.

MR. LINGENFELTER: — Well, Mr. Minister, you've got to be joking. You've got to be joking when you try to compare and say that people like Jim Greenslade and Eldon McIntyre have done less than these officials. These five directors and five officers, pardon me, have invested nothing. They haven't been in the oil patch. They haven't worked out there. They haven't taken the risk, and I say to you that they shouldn't be getting this advantage.

I want to say as well that when you talk about people who have invested money in the oilfield and have taken the risk, you do them a disservice when you say that they haven't done as much as these

people here you have around you who have worked for the government and have taken a 100,000 a year from the taxpayers through a Crown corporation.

I'll tell you Eldon McIntyre and Jim Greenslade and Ted Hanlon and others, who have gone out there and invested their own money, I would say, they have earned any kind of share offering or option that they get in their company. That's all right in the private sector.

But I'll tell you, when you're dealing with a Crown corporation, no risk, 100,000 bucks a year — 100,000 bucks a year — and you give them this kind of an advantage, it's not fair. And you will have to explain this to the people of the province when, on February 28, if the shares double and there's half a million bucks that's divvied up between these five birds, I'll tell you, you're going to have to some explaining.

HON. MR. SCHOENHALS: — Mr. Chairman, just a couple of points. I in no way indicated any degree of input from the individuals you meet and our executive. I indicated very clearly that there's a difference in the positions that these people held and the ones that you mentioned held — a distinct, definite difference. You mentioned Ted Hanlon. Ted Hanlon is on the board and totally approves of this. Again, inconsistent.

I take significant exception, significant exception, to you standing in your place and saying that the top five executives of this corporation have invested nothing in this corporation. These people have done an exceptional job in bringing this corporation from one, under your direction that couldn't make a profit and never paid a dividend, to one that has had substantial profits over the last three years and has paid dividends to the Crown. They take considerable pride in that, and they have performed admirably and have invested years and time and effort in this corporation.

MR. LINGENFELTER: — The minister seems to be saying that these officials at 100,000 a year have been underpaid. Is that what you're implying?

HON. MR. SCHOENHALS: — I have no hesitation at all to stand here and tell you, based on industry standards, these people are not well paid.

MR. LINGENFELTER: — Well I'm glad that the minister is putting that on the record — that individuals' earning \$100,000 from the taxpayers of this province are underpaid. And I'll tell you why Saskoil is making money today. It had nothing to do with decisions of you or your officials. It had to do with the member from Thunder Creek, Colin Thatcher, who changed the oil royalty structure against the will of the member from Qu'Appelle who argued that it was giving away \$300 million a year.

And I say to you, the reason that you are able to take credit for the turn around in Saskoil because of the give-away to all the oil companies in the province, and you know it, and everyone else knows it. I say to you, the officials in Saskoil who are now showing \$44 million in profit are living off the avails of Colin Thatcher's change to the oil royalty structure.

I'll tell you that the \$100,000 a year they're earning is enough and they don't need any more.

HON. MR. SCHOENHALS: — Mr. Chairman, I have to take exception to that comment. If Saskoil had remained in the form it was in in 1981, with the corporate plan that had been adopted in 1981, that no matter what the fiscal form, fiscal environment was, it would not be making any money — a 10,000-barrel-a-day oil company staffed to the level of a 50,000-barrel-a-day oil company with research capacity of a 100,000-barrel-a-day oil company projected to double its staff by 1986 and not to make any profit into the 1990's. That corporation, without the mandate and the turn around, would not be making the profits that have been indicated in the last two years. And the gentlemen that I refer to here can take considerable pride from what they have accomplished with this oil company.

MR. LINGENFELTER: — I want to ask you, Mr. Minister, if the shares, if the shares happen to go up by

\$5 a share between the time you issue them and February 28th, what will be the increase in the shares, total shares, that these officials will get? Can you figure that out for me? I'd like to know what the increase will be if the stock goes up \$5 a share. What will their possible profit be there?

HON. MR. SCHOENHALS: — Mr. Chairman, I am attempting to be as direct as I can with the question, but that is totally hypothetical. You have two hypothetical elements: one is if they go up, which there's no way of knowing; secondly is how many of the options they will pick up, again, no way of knowing. So you can do the mathematics and make up whatever numbers you wish. It's strictly hypothetical.

MR. LINGENFELTER: — Are you saying that if they go up \$5 a share, that your officials, who are these great managers, aren't going to buy them?

HON. MR. SCHOENHALS: — Mr. Chairman, I'm saying the question is totally hypothetical and the answer would consequently, be equally hypothetical.

MR. LINGENFELTER: — Well I say to you that it's not hypothetical at all, because I'll tell you if they go up \$5 a share, they'd have to be bloody idiots not to buy it, and they will. And if they go up \$5 a share, they will earn five times 50,000, or \$250,000 — \$250,000 in less than three months, \$50,000 each — that on top of \$100,000 a year. And I say to you that that is not fair.

HON. MR. SCHOENHALS: — And, Mr. Speaker, so will thousands and thousands of individual investors in the province of Saskatchewan.

MR. LINGENFELTER: — Well, let me say to you a \$9 share going up \$5, if, as you say, there are literally thousands of people in Saskatchewan buying one or two — right? — one or two, they will be risking their money, and they will make \$10. Okay? They buy two shares; they'll make \$10, if they go up \$5. Well that's great. They can go down to the bar and buy two or three drinks.

But I'll tell you, in this case we're talking about something quite different. We're talking about 10,000 — about 10,000 shares — without investing one nickel and not taking any risk. So for you to compare it to the average person who could go out and play bingo or buy your share, if it goes up five bucks, they have one share; so what? What are they going to do with that extra \$5?

But I'll tell you, these people will have 10,000 share each. They go up \$5, it's \$50,000. And if you can't see the difference, then I want to know why.

HON. MR. SCHOENHALS: — Mr. Chairman, I can only repeat again. You can if and if this happens and that happens. The fact of the matter is that Saskoil will become a private sector corporation under this Bill. The provision for stock options is a normal element in an issue of this type, and this is appropriate, and I don't believe that any of the investors are going to be that concerned with this element.

MR. SHILLINGTON: — Thank you, Mr. Chairman. Mr. Minister, if you aren't embarrassed by this option, then this government is a very hard group to embarrass.

Mr. Minister, with respect to a private company, the senior officers and directors are normally the people who put the deal together. They went out and they put the deal together, and they got a lot of their time and often a whole lot of their money involved in the company. And they have put it together, and that's their share. That's their share. If it succeeds, they succeed. If it doesn't, they normally have some very serious financial problems because they have a lot of their time and a lot of their money on it.

This deal is totally difference. The officials, Mr. Minister, who are going to enjoy this windfall have put nothing into it but time for which they've been very handsomely paid — 100,000 a bucks a year.

This oil company didn't succeed because these people put their time and money into it. It succeeded

because this oil company started out with 150 million bucks of tax dollars. You give virtually any oil company 150 million bucks and they'll do awful well. This company succeeded because it started out with the provincial treasury standing behind it, not because these people had any particular brilliance.

Mr. Minister, there is no comparison between this Crown corporation and a normal float that you put together for a private company. The officers . . .

AN HON. MEMBER: — You're going on record.

MR. SHILLINGTON: — I am well aware that I am going on record.

Mr. Minister, normally in a private float, the officers have got a lot of their stuff in it. They've got their time and they've got a lot of their money. None of those considerations apply. You are giving away Crown property that belongs to the taxpayers to officials who are already very well paid.

And, Mr. Minister, if that doesn't embarrass you tonight, I'll tell you it's going to embarrass you in the hustings, as this is just absolutely indefensible — it's absolutely indefensible.

At a time when hospitals haven't got decent staff, and we heard that again on tonight's news. At a time . . . (inaudible interjection) . . . It is on the Bill. At a time when hospitals haven't got sufficient staff, at a time when people on welfare are going hungry, Mr. Minister, you see fit to give well-paid officials a bonanza.

(1930)

And I say, Mr. Minister, if this doesn't embarrass you, then this government is awfully hard to embarrass.

HON. MR. SCHOENHALS: — Mr. Chairman, the largest element of embarrassment that I have is for the member from Regina Centre. I have heard him stand in this House time after time in the last three years and slam and slander people in this province. And I believe that the comments he made about the executive members of Saskoil are totally false and totally uncalled for.

These people have done an excellent job of taking this corporation and running it. And nobody is saying they're underpaid. I am saying they are paid well below industry standards.

MR. SHILLINGTON: — Mr. Minister, that is nonsense that they are underpaid. I could if you like, because I brought it with me, I could review the remuneration paid to other officers of other companies, because I brought some prospectuses with me.

But that's not the issue, whether they are overpaid or underpaid. The issue is, Mr. Minister, that you are giving them a windfall.

Mr. Minister, earlier in the afternoon we asked you how you valued the shares. Well you started out with the price to earnings ratio. So we got the price to earnings ratios of the other companies which you compared, and found out that none are anywhere near a price to earnings ratio of six.

So that became inappropriate. And you picked another criterion, cash flow. So as best we could, we ran the cash flow of a couple of other companies through. And guess what? These shares are undervalued, Mr. Minister. And then you revert to some formula, the criteria for which you won't disclose to us.

Mr. Minister, let's suppose that the price earnings ratio of this company rises to 10, which happens to be the price earnings ratio of Exxon on the New York exchange.

Let's suppose the price rises to the point where the price to earnings ratio is 10. You know what these

people are going to enjoy, as a bonanza to split between them? A cool \$300,000. That's what those warrants are worth.

That's what you're giving them, is a warrant. That's what it is. And warrants are worth money. People buy and sell them on the exchange every day. And that's what you are giving them. You are giving them a very valuable right. You are giving it to them for nothing and for no reason. Because while these people may well have earned their salary — I cannot judge that — while they may or may not have earned their salary, they have taken no risk with respect to this affair.

The risk, Mr. Minister, is yours and your government's and I say the risk in this thing is awful high and you ought to reconsider it. If you don't you're going to pay the consequences, Mr. Minister.

Mr. Minister, these officers and directors have done nothing to earn what is potentially an extremely valuable right. As I say, if the price earnings ratio rises to 10, and that was the lowest one I could find on the exchange, these options are worth 300,000 bucks with absolutely nothing at risk. At a time when people are going hungry and they're not properly cared for in hospitals, you see fit to give these people some very valuable options. I say, Mr. Minister, if that doesn't embarrass you, you're a darn hard person to embarrass.

HON. MR. SCHOENHALS: — Mr. Chairman, I talked earlier in responding to the question of the member of Shaunavon about hypothetical. I think we have just heard the absolute ultimate in hypothetical.

The member from Regina Centre has just said, if Saskoil develops to the stage where it is comparable and competing with Exxon, than these people will make some money.

If Saskoil advances to the level of Exxon than there are going to be an awful lot of very, very happy investors in Saskatchewan. And I sincerely hope that Saskoil follows along that path.

MR. SHILLINGTON: — Mr. Minister, all right, you don't like Exxon. As I expect you know, the price earnings ratios of the smaller oil companies is normally higher because smaller oil companies normally spend the first few years building up assets.

It normally takes five years from the time you strike oil to the time you get a pay cheque back. So the first few years of an oil company's existence, they build up assets without much income. The Exxons enjoy a decent cash flow. The smaller oil companies are worth as much, but they don't have a cash flow so the price earnings ratio tends to be higher.

But let's take Alberta Energy; if you don't like Exxon, let's take Alberta Energy; you've been comparing it to Alberta Energy. Their price earnings ratio is 14.5.

AN HON. MEMBER: — What would they make at that?

MR. SHILLINGTON: — What would they make? Well it wouldn't be \$300,00, Mr. Chairman. It would be \$400,000. That's what those options would be worth — \$400,000, at a time when the SGEU people are parading out in subzero weather because you won't give them an increase. And that isn't why they're striking. They're striking because you won't promise them that you'll leave them with their jobs. It's job security, not pay. At a time when you haven't got the money to treat ordinary people with decency, you give senior officers a potentially very valuable — very, very valuable — stock option.

Mr. Minister, you say it's hypothetical. I say it is our job as members of this legislature to consider the consequences of what we're doing. Surely that is why the taxpayer pays our salaries, so that we may on their behalf deliberate and consider the consequence of what we're doing.

A consequence of what you're doing is you're giving away an enormous amount of money to a very few people who have not earned it.

HON. MR. SCHOENHALS: — Mr. Chairman, the member argues about what he's being paid for and what his responsibilities are. I'd suggest that one of his responsibilities is to talk some common sense and to debate this thing in a common sense nature.

What you have suggested is that that \$9 share, in two months, is going to go to a value of 18 to \$20. I think that is preposterous. I think if it's priced that badly then there's obviously been some serious mistakes, and we are prepared to take the pricing and go to the market and see what happens.

MR. SHILLINGTON: — Mr. Minister, if it doesn't mean anything, take it out. If it doesn't mean anything, take it out. I regret, Mr. Minister, that the public are going to have some problems with these figures. They are just so enormous and this thing is so complex. I believe that you are underpricing these shares and I believe you are giving away Crown property — taxpayers' money — at a great deal less than it's worth.

Mr. Minister, most of my constituents pay income tax; darn few of them are going to buy these shares because they're just not in that tax bracket and they just are not that sort of an investor. This is socialism for the rich, socialism for the affluent, when you give away these shares.

So, Mr. Minister, you are giving away Crown property that belongs to each and every Saskatchewan person, most of whom will not be buying these shares, and you're giving it away to a very few people — and I say that's wrong. I say, Mr. Minister, you're giving them a valuable, a very valuable right and you're giving it to them for no reason at all because they haven't got anything at risk. They haven't put the deal together. The people who put the deal together is the Saskatchewan taxpayer who bankrolled this and now you're giving away their property.

HON. MR. SCHOENHALS: — Mr. Chairman, once again the member argues that not many of his constituents will invest. They're not this type of investor. That may very well be true. I would suggest that one of the large reasons for that is that they haven't had the opportunity to get involved in the Crown sector in a direct way. We have been through the question of availability and affordability in some detail in this House. I would suggest that if the constituents in your seat choose to invest, and they will have that choice again for the first time, that the \$29 unit is available and affordable. Now they may choose not to, but at least they will have that choice as well. And the stock option that is being discussed here, as I indicated with Saskoil becoming a private sector company, is a relatively common element of an issue of this kind, and we will not be taking it out.

MR. SHILLINGTON: — What purpose is served with this little windfall to your pals? What purpose is served?

HON. MR. SCHOENHALS: — Mr. Chairman, once again, we have been through the pricing. The stock will be priced fairly. There will be no windfall. We find no problem with either the pricing or the concept of the options.

MR. SHILLINGTON: — Mr. Minister, I don't know whether there's anyone who'd be sitting there with you who has any familiarity with the stock market, but I'll tell you, new issues are frequently volatile. They frequently rise and fall a good deal. It may be that these shares may fall, in which case we'll have another BCRIC. But it may be that they'll rise in which case the officers sitting around you are going to enjoy some very handsome windfalls. It is our responsibility, Mr. Minister, to consider the possible consequences of what we're doing.

I say the possible consequences of what we're doing is that you're giving a bonanza to some very highly paid people I honestly don't think, Mr. Minister, that the officers sitting around you need this windfall to keep body and soul together. I think their salaries are sufficient, and I think the taxpayers feel the salaries are sufficient.

Mr. Minister, I'm not going to get into whether their salaries are sufficient or otherwise. Suffice it to say that I have four prospectuses here, and the salaries which these people are being paid is less than

in some of the companies and more than in some of the other companies.

If you want some examples of people who are paid less than 100,000 bucks a year who are in oil companies, I'll give it to you. But that's not the issue. The issue is, they took no risk. Any time they put into it they were well paid for that time at \$100,000 a year. I say, Mr. Minister, they've done nothing to earn this windfall and they've got nothing invested. It is true as you said that if somebody puts . . . (inaudible interjection) . . . Leaving, my neck. Who's going to leave behind something this valuable? Somebody says none of them are leaving. I'll say none of them are leaving. Not until after February 28. Not with a deal such as this. They've got nothing invested, nothing at risk, and they have contributed nothing except time for which they've been very handsomely paid. And this, Mr. Minister, when you're dealing with Crown property, is totally and completely inappropriate, and I ask you to withdraw it.

HON. MR. SCHOENHALS: — Mr. Chairman, the member introduced that long monologue by questioning whether, in fact, anyone over here was familiar with the stock market. I can assure you that the advisors that Saskoil has retained are very familiar with the stock market. They have spent the last number of months, the last number of months, monitoring the market very closely.

They are putting their professional reputation on the line in pricing this issue. They believe, we believe, that it is well priced; this assumption of some mythical windfall is totally hypothetical, will not happen. It would be interesting to me if the member would indicate whether he wanted this thing to go up or down. But to argue that it is underpriced is to say that we should hike the price up higher, and then, in the next breath, he will tell me that, none of my constituents can afford to invest.

Which is it? You can't have it both ways. The thing is fairly priced, reasonably priced; it's affordable, and there will be no windfall.

MR. SHILLINGTON: — Mr. Minister, by law the decision on the price of these shares was taken by the government, I assume on the recommendation of the directors. I assume the directors of Saskoil receive their advice from the senior management, who in turn receive it from Wood Gundy, in this case.

Nobody at Wood Gundy is — I hope, for heaven's sakes — is getting an option. The people who are getting this windfall is the management team who make the recommendation to the board of directors, who make the decision about this thing.

Mr. Minister, there's a very real conflict of interest here. If you're giving me an option to buy these shares at the opening price, then the lower that opening price is set, the more likely I am to experience a very considerable windfall, Mr. Minister.

So there is a direct conflict of interest here dealing with Crown property. If this government hasn't learned after three years in office that different rules apply with respect to the public arena and the private arena, then Mr. Minister, this government isn't long for office.

(1945)

There are very, very different rules apply to dealing with public property and private property, and a government that doesn't learn that isn't going to be around long. So I ask you, Mr. Minister: do you not admit there's a difference between dealing with Crown property, and dealing with private property? And you're dealing with the taxpayers' property.

HON. MR. SCHOENHALS: — I'm not exactly sure where all the first part of that went, but I would have to ask the member if he would please clarify what it is he feels management recommended to the board of directors.

MR. SHILLINGTON: — A share of these prices, based on information they might have got from Wood Gundy. They made the recommendation — the board of directors.

HON. MR. SCHOENHALS: — I assume you didn't mean a share of the prices, but rather prices of the share. The point is, the management people played no role in pricing these shares. No role.

MR. SHILLINGTON: — The board of directors made the decision, and they, as in every case, rely upon the recommendations made to them by management, and the management are the people who are getting this windfall. It's a direct conflict of interest, Mr. Minister.

HON. MR. SCHOENHALS: — Mr. Chairman, in putting this together, Wood Gundy, the financial advisors, have been recommending directly to the owners, which in this case is Crown Management Board. The decisions we're discussing about pricing were made on the recommendations to the owners.

MR. SHILLINGTON: — It's to suggest that your management had nothing to do with the pricing of the shares of the company they are supposed to manage. If they're not, they ought to leave.

It is the direct concern of management of a company to determine whether or not shares are fully priced. That is the direct responsibility. When the company sells those shares, they sell a bit of that ownership of the company. The management are responsible for being sure that they get that back. It is their direct responsibility.

I realize this may be a very amusing affair to the minister and to his officials; but I tell you, Mr. Minister, this isn't going to be very amusing when you have to defend this. This is indefensible. And if you can't understand that, then I have really overestimated you. Do you not admit, Mr. Minister, that this is inappropriate when you're dealing with a Crown corporation to give these stock options?

HON. MR. SCHOENHALS: — No, Mr. Chairman. As I've indicated, this is not a problem. If we have to defend it, then we will have to defend it. I would appear that we are not going to agree on this. You don't believe that the management did not intentionally have some great scheme to come in and price these shares lower. I am telling you that management were not involved in the pricing of the shares. Period.

MR. SHILLINGTON: — You have an interest in undervaluing these shares to make sure they sell. The management have an interest in undervaluing these shares to enrich the stock options. So there is a conflict of interest. Mr. Minister, I ask you to eliminate at least the second of those conflict of interests now being experienced by your senior management.

HON. MR. SCHOENHALS: — Mr. Chairman, once again, the shares have been priced with some specific objectives in mind, which are: wide distribution, accessibility to a wide range of the population; and they have been priced fairly and reasonably. And we can discuss the hypothetical case of whether the shares will go up or the shares will go down. We have made it very clear to the public there is risk involved, but we will simply have to wait and see.

In terms of conflict of interest, this might be an appropriate place to read into the record the policy that has been adopted by the government in terms of ownership of Saskoil shares for government members.

Subject to the following provisions, no member of the government caucus nor is or her spouse nor dependent children: (a) shall hold any interest in shares of Saskoil; (b) shall hold shares as trustee or nominee of any other person.

Nothing in these guidelines affects interests or holdings of a member of the government caucus, his or her spouse nor dependent children, arising: (a) through the operation of law; (or) (b) as a result of his becoming a trustee under a testamentary disposition or in bankruptcy, a devisee, legatee, executor, committee, or administrator; but he or she shall dispose of such interest as soon as is reasonably practicable.

Nothing in these guidelines affects interests or holdings of a member of the government caucus, his or her spouse nor dependent children, arising: (a) through the operation of law; (or)(b) as a result of his becoming a trustee under a testamentary disposition or in bankruptcy, a devisee, legatee, executor, committee, or administrator; but he or she shall dispose of such interest as soon as is reasonably practicable.

Nothing in these guidelines affects interests or holdings of a member of government caucus, his or her spouse nor dependent children; (a) in a trust in which he or she exercises no control or influence over the trust of management of the trust; (and)(b) held a trustee or fiduciary in the ordinary course of his or her business, trade or calling.

What that means in simple terms is that no member of the government caucus will be holding shares in Saskoil. I would be interested in what the opposition caucus has in mind.

MR. SHILLINGTON: — Mr. Minister, Mr. Minister, I ask you to ask yourself why there's been a policy promulgated which says government members shouldn't buy these shares. I'll tell you why. Because all of us, when we vote, play a role in this affair and in effect we determine whether or not this is available. So we have a conflict of interest. And that's why the rule has been promulgated, and I think that's appropriate . . . (inaudible interjection) . . . Right.

And exactly the same considerations apply to your senior management, but you are too thick-skulled to see that. They have exactly the same conflict of interest that we do. I do not understand why government members, I do not understand, Mr. Speaker, why government members, for 30,000 bucks a year or thereabouts in round figures, will do a difficult job and they will sit and watch senior management, will watch the ministers enrich senior management in this fashion. I do not understand why the private members in government are tolerating this.

HON. MR. SCHOENHALS: — Mr. Chairman, it is patently ridiculous to suggest at the senior management people of Saskoil have the same conflict of interest as MLAs. We are sitting determining policy. They are operating the corporation. They will operate the corporation to the best of their ability, and I would believe that in the last two or three years they have proven that they have exceptional ability to do that. And as I have indicated time and again, the options included in this prospectus is the normal option that would be in place for a private sector corporation. And since Saskoil will become a private sector corporation, we have no problem with the options.

MR. SHILLINGTON: — Mr. Minister, you said the price was set for wide distribution. I say to you, Mr. Minister, that that may be. I think that's inappropriate, but you can argue that if you want. B.C. gave BCRIC shares away for nothing. You can argue that you ought to price them low so there will be a wide distribution of the shares and so a lot of people will buy them. I think that's an inappropriate thing to do with Crown property, but you can argue that. But if you're going to price them low for wide distribution, which is what you've just finished saying, then you ought not to be giving stock options to senior management — if you're going to price it low for wide distribution. Mr. Minister, if you are pricing these for wide distribution, you're not pricing them high, you're pricing them low. If you're pricing them low for wide distribution, then get that stock option out of this deal.

HON. MR. SCHOENHALS: — Mr. Chairman, that is simply not correct. We are achieving wide distribution by selling single units, and that is a very, very extraordinary element of this share offer — very extraordinary. I said we have priced them fairly and reasonably, and that remains the fact.

MR. SHILLINGTON: — I just simply do not, as I say again, I do not understand why private government members are tolerating this. I look directly behind you, at a member who has worked on some issues that she and I have disagreed rather vehemently on. But she has worked hard on those issues for 28, 30,000 bucks a year. She is prohibited from buying these shares. Why? There's only one reason for it. Because she has a role in making a decision on this, and it's inappropriate that she set the price and then benefit from it. If that applies to the member from Saskatoon Westmount, why does that same consideration not apply to senior management who also play a role in setting these share prices?

HON. MR. SCHOENHALS: — Mr. Chairman, very clearly the member has confused the issue. It is our opinion that MLAs should not hold these shares because they will be discussing policy, industry policy, that can affect in the future Saskoil. MLAs are voting on a bill that will give Saskoil the right to go ahead and offer shares to the public, and that is totally different.

I don't know what the hon. member is suggesting; whether he's suggesting that the senior executive people should receive salaries comparable to MLAs. He seems to introduce a lot of superfluous, and maybe if he would be clear and concise in his statements, we could respond in a similar way.

MR. CHAIRMAN: — Order. The minister is trying to answer your question.

MR. SHILLINGTON: — Mr. Chairman, the minister was trying to avoid my question, more correctly put. And I was seeking to assist him in answering it with my comments.

MR. CHAIRMAN: — I would like to remind the member from Regina Centre that he periodically gets an opportunity to assist the minister if that is what he wishes to do. And I would simply ask him to remain quiet until the minister is through speaking.

MR. SHILLINGTON: — Mr. Minister, they may determine policy but that is an argument for prohibiting members from purchasing shares in any oil company which has a concentration of activity in Saskatchewan. The argument for prohibiting them from purchasing this one is that this Bill sets out, with more clarity than the minister has, how these shares are going to be valued, Mr. Minister. And they're going to vote on this thing clause by clause. And we're going to come to clause 3, subclause (7), subclause (b). The members have to vote on that and that's a conflict of interest, and exactly the same considerations apply to your senior management.

I ask you, Mr. Minister, again, to simply apply the same rules to your officials as your Executive Council is applying to your private members. I am not saying that members are overpaid or underpaid. We all do this voluntarily. I'm saying it is often a difficult and demanding job, and to be fair, some members of your caucus have tried to do it and have worked hard at it, and I picked one who had some effort into this legislature. She's prohibited from buying this thing because she has a conflict of interest.

Your senior management who are getting 100,000 bucks for, I'll bet you, shorter hours to what most members put in, get this lucrative, potentially lucrative option, and it's completely inappropriate, Mr. Minister.

I ask you again, apply the same rules to your management as you apply to your members and we'll get on with other issues in this Bill.

HON. MR. SCHOENHALS: — Mr. Chairman, once again, I think that the roles of senior management and the roles of MLAs are clearly distinct and different. I've indicated numerous times that senior management have done an exceptional job of running this corporation. We have complete faith in them.

I have indicated senior management had absolutely no role whatsoever in pricing the issue and, consequently, I see no conflict of interest and no reason to assume that this is anything but a proper clause.

MR. TCHORZEWSKI: — Mr. Chairman, I've been sitting here listening to the minister endeavour to answer some questions, and avoiding to try to answer some questions for two days.

And I just want to say this, that I had heard before I came to this House about the arrogance of this government. And I can tell you, Mr. Chairman, that the answers that the minister has been giving, and the way he's been giving them have convinced me that those things I heard were understated.

Because the minister earlier this evening talked about responsibility. Well, I want to say to him that he's got a responsibility and an obligation. He's got an obligation to be responsible, and some of the provisions in this prospectus and in this Bill are not responsible to the taxpayers of this province.

AN HON. MEMBER: — Which ones?

MR. TCHORZEWSKI: — We'll get around to that.

They're not responsible and therefore the minister is not being responsible. I submit, Mr. Chairman, that the minister has an obligation to answer the questions that are asked.

And here's what we have seen and have heard. We've heard refusal for answering of questions because of some assumed hypothetical situations. We have heard the minister contradict himself over and over again, and give one answer once and another answer another time.

(2000)

We've heard the minister prove time and time again that he didn't understand either the Bill or the prospectus. And he talks about responsibility.

And I want to tell him that this isn't the football field, and you don't tell the people of Saskatchewan to get out there and carry the ball, or whatever you want them to do, like you do to a football team. Because that's irresponsible. And it's time he came around and recognized his responsibility.

There are over 100,000 people in this province who are either unemployed or on unemployment insurance or on welfare. And yet they are told, tough luck. But five people who are the executive officers of this Saskoil Corporation are told, you have the potential of making an unbelievable windfall.

Now I ask the minister when he gets around to commenting on that, how can he justify doing that? How can he justify saying to five executive officers who haven't put a penny into this corporation — and granted they're probably effective and efficient people, no doubt about that, no reflection on them at all — but they have not invested a single cent in this corporation. How can he say to them, you can make a lot of money on this if you wish, while over 100,000 people in this province are totally ignored.

We're not dealing here with money that people are investing, who in fact are running the corporation. We're dealing with taxpayers' money. We're dealing with a corporation that the taxpayers of Saskatchewan took a risk on. They took the risk. And now that the company is profitable, some people who did not take any risk at all are going to make the money. Took out over \$100,000 a year. They're going to get this windfall.

And that's why I agree with what the member has been saying. This should be withdrawn because it's wrong. And I ask the minister, because he hasn't answered this question yet, is there a potential here for the five executive officers to make a lot of money? Is there a potential?

I'm not talking about 5 per cent because you say that's hypothetical. I'm prepared to give that one up for the time being. But is there a potential here for them to make a lot of money without investing anything first?

HON. MR. SCHOENHALS: — Mr. Chairman, I find it unbelievable that that member can stand in his place and talk to me in an arrogant tone and talk to me about arrogance. However, the answer to the question is . . .

The question is, is there a potential for large windfall profits? If there is, there is a potential for all investors to realize a large windfall profit. The fact is . . . (inaudible interjection) . . . does the member for Assiniboia wish to say something? . . . (inaudible interjection) . . . Well wait till your light's on, if it

ever is.

Mr. Chairman, the fact is that it is fairly priced, reasonably priced, that the options that are listed are reasonable, and there will be no windfall profit. We can sit here, stand here, and argue about hypothetical questions. I would suggest that we've been through this constantly. The answers won't change, and I predict the questions won't change.

MR. TCHORZEWSKI: — Mr. Minister, just following up on what you've said. If there was not this provision here for the warrants, could not . . . Maybe I'm wrong here. I don't pretend to be an expert on this stuff yet, but could not the executive officers buy shares like any other citizens of the public. Could they do that?

HON. MR. SCHOENHALS: — The answer is obviously yes.

MR. TCHORZEWSKI: — That's what I thought. I just wanted your assurance. If that's the case, why do they have to have a special provision?

You say that they can make a lot of money in the same way as the ordinary taxpayer can, or the ordinary citizen, but that's not correct. Because in order for the ordinary citizen to be able to make some money, he has to lay out some money. He has to buy the shares. He has to take the risk, and then hope that he's going to make some money.

But these five executive officers don't have to lay out any money. They don't have to buy the shares. They can sit back and wait for their value to increase, and then if it's good enough, they can buy the shares and sell them and make a lot of money. Now don't you agree that that's the difference, Mr. Minister?

HON. MR. SCHOENHALS: — Mr. Chairman, we have been discussing this. I quite some time ago read into the record the paragraph on page 32 of the prospectus. I would once again recommend to members opposite that they read it. There have been some tax implications, as I indicated then, that require a sequence of events to take place, and these options are one of them. Now all the other stuff . . . And you're apparently a legal person. Read it and explain it to your colleagues. You might be the person to do that.

However, we can discuss the potential for windfall profit all night. The potential for windfall profit, in my opinion, in the opinion of the advisors who as I have indicated have put their professional reputation on the line, is not there.

MR. TCHORZEWSKI: — Well I'm not sure I . . . With the way that this thing is priced out, I'm not sure that that's accurate, but then once again I won't pursue that. I simply want to ask the question, which I asked, which you didn't refer to, and that's simply this: the public has to lay out the money to buy the shares. Okay. The five executive officers don't have to lay out some money until the end of February. They can wait to see if the value of that share offering, their warrant, their special warrant, increases in value, and then they can choose whether they want or not want to buy it. Don't 'you agree, Mr. Minister, that the public is taking a risk but the five executive officers are not taking a risk, necessarily?

HON. MR. SCHOENHALS: — Mr. Chairman, once again when we get into the question of hypothetical windfall profits, which will not occur . . . We could take an example of a public company. The most recent public company that went private, PWA, had a clause very similar to this one, exactly the same options. It's standard; not unusual. And nobody is going to realize any windfall profits.

MR. TCHORZEWSKI: — I'll try it again for the third time. The point is this and I will ask it again: do you not agree that the public, who has to buy the share, take the risk that they will make money on it? Whereas the five executive officers, under this provision, which is unfair and shouldn't be here — because this is not like a private company, and you know it — they do not take any risk at all. If they

choose not to pick up their special warrant or this option, they don't have to, if it's devalued shares. If the shares increase in value three months from now or before the end of February, they can pick it up and make some money. Don't you agree that that's a different arrangement than the arrangement that somebody out there in rural Saskatchewan has with the way he or she has to buy their shares? Is it the same or is it different?

HON. MR. SCHOENHALS: — Mr. Chairman, the total purpose of this Bill is that Saskoil will in fact become a private sector company. That's the point of the Bill. That's what we're talking about. So don't tell me that this is different. I indicated to you that the most recent example of this type of activity would be PWA, and a similar clause existed in that legislation.

MR. TCHORZEWSKI: — Mr. Chairman, I assume, therefore, because the minister has not answered the question the three times I've asked, that he, in his avoidance of the question, is really agreeing with me that this option, share option, is different than shares that the public has to buy, because he has not agreed or disagreed. So I'm saying that they are different. Unless he agrees or disagrees, that's the fact of how it really is — no doubt about it. We've established that. Now I want to ask the minister that, that being the case, how can he describe this as being fair. How can he say that this is fair to the average taxpayer when these people can make a lot more money than they can without taking the risk?

HON. MR. SCHOENHALS: — Mr. Chairman, there's obviously a difference between an executive share option and public purchase. That is why it is laid out in such clear and complete detail in a prospectus. That's the purpose of prospectus — so the potential investor, who is for the first time going to make the choice of whether to invest or not, can go through it and see if there's anything he doesn't agree with. That's the reason it's there.

Regarding PWA, the senior executives of PWA, which again was a public company prior to becoming private, had share options for up to 10 years and 500,000 common shares. We obviously have constricted, or restricted, shortened the time so that there will not be the hypothetical, pie-in-the-sky, windfall profit.

MR. TCHORZEWSKI: — Mr. Chairman, the private investor has a choice. He can buy or he cannot buy. I'll agree. But the private investor has the choice of having some faith that this body and this legislature will be responsible enough to make sure that any legislation that deals with that private Saskatchewan citizens' money, because it is Saskatchewan citizens' money, is done in a responsible manner and that that money is dealt with in his best interests. That's his expectation, too. I say to you, Mr. Minister, that this share option is not responsible from that point of view.

HON. MR. SCHOENHALS: — I would simply remind, Mr. Chairman, the member, we're not dealing with the legislation. We're dealing with the prospectus that will flow from the legislation. There's no doubt about that. The prospectus is written clearly, I believe concisely. The securities commission, a very responsible body in this province, has accepted it and the reason that the things are laid out is so the investor can look at it and make an intelligent choice.

MR. LINGENFELTER: — Mr. Chairman, I want to . . .

MR. CHAIRMAN: — Order. Your light isn't on.

MR. LINGENFELTER: — Mr. Chairman, thanks for getting my light turned on. I really appreciate that. It's really nice of you to get her turned on.

MR. CHAIRMAN: — I don't appreciate sarcastic comments from the member from Shaunavon. The member from Shaunavon has been in this House for many years and knows that no members have the right to speak until they are recognized by the Chairman. You were not recognized by the Chair and had no right to speak. I now recognize you.

MR. LINGENFELTER: — I appreciate to have an opportunity to be involved in the debate. My

question to the minister regarding the share option of the five senior officers is this: you have said that you don't intend there to be any windfall profit, and I think that's clear, that you have said that very clearly. But I think we have clearly established over the last two days that if anything these share options are undervalued. No one would accuse you of overvaluing these shares. You haven't said it. None of the members in the opposition have. And I don't think that anyone believes that they're overvalued. There's a good chance that they are undervalued.

Mr. Chairman, what I find hard to believe is that people like the member from Regina Victoria, who come from a constituency where less than 5 per cent of the people in his constituency will be purchasing shares by any stretch of the imagination, any stretch of the imagination — on a normal share offering in his constituency, less than 1 per cent would buy any share offering of an ordinary oil company. And he sits there and would allow this kind of a thing to take place without standing and defending the position of the government. And I would challenge some of the back-benchers in the government benches to stand up and defend this share option.

Now I would say to you, Mr. Minister, that I believe this is the kind of legislation that has put your government in the kind of position it is and in large part it's because the members of this Assembly allow ministers of the treasury benches to carry on in this manner. They sit there as trained seals and allow this kind of action to go on that they will have to go out and defend on the streets in Saskatoon and Regina.

(2015)

And I would tell them, and I've told them many times, that if you would get involved in this House, understand the legislation that's going on and then speak on it, not only in your caucus but in the Assembly, that you wouldn't have to go out and defend five executive officers in this corporation making a windfall profit. Because you're going to have to do it.

It may be uncomfortable to get in the House and defend your position, but you're sure going to have to defend it in your constituency on coffee row. Because I'm going to tell you, we're going to make a case of this and if those prices of those shares do go up, we're going to remind you every day as the price goes up — every day. And we'll have a tally sheet of the 50,000 shares. And if it goes up \$1, that will be 50,000 bucks for the five people involved. If it goes up \$2, it will be \$100,000. And on and on. And you will have to defend it.

And I challenge you to get involved here, now, and defend your position, or to protest in terms of voting against it and speaking against it. Because I think there's a good number on the back benches, Mr. Chairman, who don't agree with this provision either. I believe that many of them don't agree with it and I would doubt if the chairman would agree with it. I don't know that, but I doubt that they would agree that these five senior officials, who have been here for a number of years — 'Mr. William Douglas has been here since 1975, has had every opportunity to move to the private sector. Ten years he's been satisfied with his salary. The others are similar — Dale Christensen, 1980; James Gribben, he came here and joined the company in 1980; Harold Johnson joined Saskoil in 1982. The other individual joined in 1980.

Now what we are seeing here is the opening of a door to make a windfall profit. You can't deny it. If you're denying it, take it out. If they're not going to make money at this, what would be wrong with taking it out? Obviously you're assuming there's going to be a fair bit of profit made on these shares or it wouldn't be here.

Now what I would ask you, sir, is whether or not you would consider at this time removing this area and we'll move on with the other clauses of the Bill?

HON. MR. SCHOENHALS: — The answer is no, Mr. Chairman.

And I would once again invite the member to read the second paragraph on page 32 of the prospectus. If he doesn't understand it, possibly he could have his learned lawyer friend from Regina

Centre explain it to him.

Again, a lengthy dialogue or monologue, Mr. Chairman, but I must correct the initial statement. I don't think it has been established in any way in this House or anywhere else that these shares are underpriced. These shares are fairly priced and will perform fairly in the market-place.

And when the member opposite stands in his place and accuses the back-bench of this side of the House of behaving like trained seals, I find it totally inconsistent. When I look in the paper and find out in the *Star Phoenix* the reason why we are going around and around with the same questions, the Ann Smarts and the Peter Prebbles of the party have demanded that you people resist this.

We have, as well, indications that in 1982 you were prepared to do exactly the same thing, but you have been ordered by the left wing of that party to resist it. So don't talk to us about trained seals.

MR. LINGENFELTER: — The minister will have a hard time tagging me with a being a radical left-winger in the NDP. I think you may try a long time before that label with stick on, for example, the member from Assiniboia-Gravelbourg or myself. And you and your leader can go around with your song and dance and name calling, but I'll tell you, it's not going to help much because the people have seen through that little act.

And what I'm saying again to you is that on the one hand you say there's not going to be any profit made on this share option. You say there's not going to be any profit made. Well then, why won't you take it out?

HON. MR. SCHOENHALS: — Mr. Chairman, I indicated that shares are not underpriced; they are fairly priced. The shares will perform, based on the performance of the corporation in the market.

In the two months that are indicated in this option, there will be no windfall profit. And once again I direct your attention — there's no sense me going through it again — the second paragraph on page 32 of the prospectus where the reason for this is clearly laid out. And I have been through it once. I don't see any sense in re-reading the whole issue.

MR. LINGENFELTER: — The reason is obvious. The reason is to transfer some money to the five senior officers. I mean, anyone understands that. And you haven't denied it. And if you did deny it, you would take it out. If you really believed that there wasn't going to be any profits coming from this, you would take it out. What could possibly be wrong with removing it?

I say to you that it is inconsistent with your philosophy, that the individuals buying shares and taking a risk and being involved in the private sector . . . That the five senior officers don't want to compete, don't want to take a risk. There's no risk involved in this share option. There's no risk at all. If the price of the share goes down, they don't buy. If it goes up, they do.

Now if you believe in the free enterprise system, which many of you mouth the words and you say how you want to compete in the free market, let the senior officers compete. Let them go out and buy their shares, and let them compete in the private market. But you can't have it both ways.

You can't have it both ways in terms of allowing the individuals in the public to buy shares and take the risk and the senior officers not to take any risk, when they are already making 100,000 a year. It's inconsistent and it makes no sense, and the public won't accept it.

HON. MR. SCHOENHALS: — Mr. Chairman, and to the member, I would once again direct your attention to that paragraph I referred to a number of . . . I will try to make a very complex issue simple.

The fact is, the way it has been set up, if those options are taken out, Saskoil would lose several hundreds of millions of dollars in the tax structure, and that would be detrimental to all the investors. And if you will read that and have someone explain to you . . . I admit it is complex, but that's the

bottom line. And I indicated that three-quarters of an hour ago, the precise reason, and that is the precise reason.

MR. LINGENFELTER: — The Minister continues to beat around the bush and to tell the public that it is so complicated that he can't explain it, but trust him, that he has to do it.

Well I just tell you that the public isn't believing you. They're not believing you when you say that this offering of 50,000 shares at \$9, which can be sold up to February 28th at a windfall profit, is for their benefit. They simply will not believe that.

And you are going to have to have another road show to go around the province to explain this one, because the public won't believe it. The public will not believe that giving away this windfall profit is for their benefit.

And I'll tell you that it is going to be a difficult time to explain as the price of those shares go up and this windfall profit starts rolling in, because as I say, for the individual that buys one or two shares, a \$5 increase means very little, even though they've taken the risk. But for someone who gets 10,000 shares without any risk being involved, the profits of a \$5 a share increase will be very substantial. And I want to say to you that the explanation you're giving here simply isn't adequate. And it's very clear why this share offering is here.

HON. MR. SCHOENHALS: — Mr. Chairman, I understand the point that the member is trying to make. The public have the opportunity to read the information that is clearly laid out, to understand how this affects the taxation structure of the corporation. If, after that, and understanding the share option, executive share option, they don't like it, they do not have to invest.

That is clearly the new concept in Saskatchewan, is the element of choice — the element of choice. However, I am prepared to defend this. There will be no hypothetical windfall profits as a result of this option. The shares are fairly and reasonably priced and will perform that way in the market.

MR. LINGENFELTER: — The minister continues on in his . . . ignoring the question at hand and says that there will be no windfall profit for the five senior officers, and I simply don't believe him. I understand that . . . (inaudible interjection) . . . Yes, I have read it. And the member from Regina Centre will ask you more questions about it when I get finished.

Now I see who is making the money in this deal. Wood Gundy is going to make \$5 million in selling shares to Saskatchewan people who already own it.

We have here, Mr. Minister, the insanity of a Crown corporation which is owned by the people of Saskatchewan, being sold to the people of Saskatchewan, and the person selling it will make \$5 million. It's obvious that the person selling it — Wood Gundy — will make some money. It's hard to understand how the people of Saskatchewan who now own it, buy it again, will make much money at this little project you're involve din.

Wood Gundy will make money. I understand that. Four and one-quarter per cent on the underwriting fee is what you have said they will make on it. On \$110 million, they're going to make a good chunk of money. Some of it will go to the credit union or to the companies who do the actual transaction, and you have not laid out what they will make or what their fee will be. But Wood Gundy will make a good chunk of money or they wouldn't be doing it. Obviously they're in the business to make money and they're going to make money.

So you're selling Saskoil, which already belongs to the people, to the people of Saskatchewan again. That's not totally logical, but Wood Gundy will find it logical because they'll make some money.

Then there's the advertising companies. The people who ran your road show and did these fancy brochures for literally hundreds of thousands of dollars. And if you drive down town Regina, you'll find every busy stop along the way plastered with Saskoil share signs. You can't get away from them.

Every paper I've picked up in the last two months has been full of the Saskoil share offering or Tory propaganda, as you may want to call it. They're going to make lots of money . . . (inaudible interjection) . . . As my friend and colleague from Regina North East says, the federal government will make money on the transaction.

The five senior officers, if things go the way I suspect they will, will make a good chunk of money. The people who were involved in doing the analysis and doing the study — and we'll get the price of that later — but they will get a good sum of money for studying this company that belonged to the people of Saskatchewan so you could sell it to the people of Saskatchewan, they'll make a good little bit of money.

But I say to you sir, that the real losers in this will be the 90 per cent of the people of Saskatchewan who aren't going to be able to afford to buy the shares. The real losers in this whole operation will be the 90 per cent of the people who are selling their part of their oil company and not seeing one cent of return.

Now if you were selling \$110 million worth of shares of anyone else's oil company, you would send a \$110 cheque to everyone in the province. That would be logical. A family of five would get \$550 because you're selling that much of their asset that they owned the day before you sold it. And in this case they're not getting one cent. Ninety per cent of the people in the province will have less assets, will be sold to 10 per cent who can afford to buy it. It's a direct transfer from people at the bottom of the economic scale to the 10 per cent at the top.

The studies that were released last week show that Saskatchewan had the fastest growing poor population of any province in Canada. And this will add to it. It's not a big item. The members can laugh and say, well that's how she goes in the free enterprise system. The rich get richer and the poor get poorer. But I want to put on record that we are totally opposed to this kind of action that will speed along that trend that you turkeys have put in place in the last four years because it's not fair.

It's not fair to take from the 90 per cent and give to the 10 per cent who can afford to buy it; and to give to Wood Gundy, the people who already have money, a fairly major amount of money for selling something that already belonged to the people of the province; back to the 10 per cent at the top, to the five senior officers who stand to make a windfall profit, to the advertising companies and your friends in advertising who do the fancy brochures and the ads which we see all over the province. And I say to you that this will speed along that increase in poverty in Saskatchewan which we have seen over the past four years.

(2030)

Over 60,000 people now on welfare, and I'll tell you that you're not helping them a great deal by taking money away from them and giving it to others who already have a great deal of money to invest in the private sector.

And I say to you that the highlight of this Bill, while it's not the majority of the money that will be transferred here, but the highlight of this Bill that points out the inequity of it, is this share offering to the five senior officers who are already making \$100,000 a year. That lays out what this Bill is all about in the most dramatic terms. And I say to you that that part should be withdrawn. I am not going to ask you again. You've refused all night and for the last two days. But I'll make one more request that you withdraw this and at least take out one unfairness that there is in this Bill.

MR. SHILLINGTON: — This government's arrogance has reached a new height, Mr. Minister. Mr. Minister, let us suppose that — not an unlikely consequence — the price setting ratio of Saskoil rises to what Alberta Energy's is. Alberta Energy is an older, more mature company. The price setting ratios are therefore lower. The less mature the company, the higher those price earnings ratios. Demonstrably true. Well if we're looking at the quotations in the *Financial Post*, it's explaining the reason for it.

But supposing the price earnings ratio rises to what Alberta Energy's is, 14.5. You know what those stock options are worth? Five hundred and fifty thousand dollars. Five hundred and fifty thousand bucks. Why should they experience that windfall when you can't feed the people of Saskatchewan.

The first command of any government, as set out in the Bible, is feed thy people. You people can't do that. There are people going hungry in this province, as the food banks testify. At a time when you can't feed the people of Saskatchewan, you apparently can't afford to. Why do you think the senior officers need a windfall which is so potentially enormous? Why, Mr. Minister? You have not answered why.

HON. MR. SCHOENHALS: — Mr. Chairman, once again the supposition is totally hypothetical. To even suggest that the shares would go from 9 to 18 or \$20 in two month is absolutely ridiculous.

To make an assumption on the amount that the executive will exercise their option is equally hypothetical. The question has been asked before. It's a totally hypothetical statement, and it's unreasonable to expect me to provide an answer to it.

MR. SHILLINGTON: — Mr. Minister, the price of these shares are quite capable of climbing to 20 bucks. First shares I ever bought, I bought 10 shares in the Bank of Nova Scotia. What happened? I bought them at 16 bucks. What happened? Within a month they were selling at 25 bucks, and I thought I knew how to make a million bucks. I had discovered something that nobody else knew.

What happened? Sure enough, I hung onto them until they go down to \$14, and then I sold them at a \$2 loss. But, Mr. Minister, shares are quite capable of rising rapidly in value and falling rapidly in value. If they fall in value, if they fall in value, Mr. Minister, no harm has come of all this because they're invested nothing.

But if they rise in value, as any share can — particularly a new issue can be very volatile — then they stand to make a very substantial profit. We asked you this afternoon for the criteria by which you valued these shares. You said it was price earnings ratio, so we demonstrated by virtue of a price earning ratio these shares are undervalued. So you change tunes. And then you're dealing with cash flow. That's much more difficult, because that isn't set out on the financial pages, but we've got a couple of annual reports, found the cash flow. Sure enough, they're undervalued by about the same amount as indicated by price to earnings ratio.

Then you change to a whole new criteria, the details of which you won't give us. So at that point in time, 5 o'clock came, and we stopped, Mr. Minister, I say that it is likely that these shares are undervalued. You say it's not. You say they're fairly valued.

Assume, for the moment, that I am accurate, that the shares are going to rise. Will you not admit that somebody is going to enjoy, I assume the people sitting around you are going to enjoy an enormous windfall profit if the shares rise in value? Will you not admit that a potential windfall is going to go to the senior officers?

HON. MR. SCHOENHALS: — Mr. Speaker, the member's interpretation of what happened in this House this afternoon is considerably different than my interpretation of what happened this afternoon. However, if the member is suggesting that there is going to be some tremendous windfall benefit to these five members, I would suggest to him and his colleagues that you would have a fantastic political argument that you could go to the people and have a great time with.

So to take it out would be to take away a tremendous opportunity for you in a political sense. I have confidence in the pricing of the shares; I have confidence that there will be no windfall profit; and we are prepared to stand by that.

MR. SHILLINGTON: — Mr. Minister, I will grant you the accuracy of that. You're giving us a tremendous weapon. But that is not what we're doing here. The scorched-earth policy of this government just sickens me. It just sickens me. You people do not expect to get re-elected and you're

going to leave nothing for the next government.

Mr. Minister, I was talking to a constituent the other night who was watching an expensive security system being installed in a government building. It was going to do away with his job, so he has some interest in it. He said to the person who was in charge of installing it, isn't that an expensive system? And that person said to him, well, we're not going to leave it for the NDP to spend.

Mr. Minister, this scorched-earth policy of yours is just sickening. It's just sickening. A million bucks is one thing . . . (inaudible interjection) . . . As the member from Elphinstone said, what's \$5 million between friends? But this is half a billion dollars. It's a lot of money. And it's not going to be an easy thing for the next government to re-create. And your scorched-earth policy bothers me and it bothers me very much.

If my only interest was in getting a sufficient number of votes in Regina Centre to reappear after the next election, I think I'd encourage you to make these kind of mistakes and make them repeatedly. Members of this side of the Assembly have a broader interest than that. We have an interest in having a good government, a government that can serve the needs of the people. We have an interest in abolishing want and unemployment and the other problems which we think a government can deal with. But we are going to have a difficult time dealing with and accomplishing those objectives if you succeed with this scorched-earth policy of yours.

So I say, Mr. Minister, the reason why we are so concerned about this is because there is just a tremendous amount of money involved. I say again, Mr. Minister, apply the same principles to the officers as you apply to the MLAs, and we'll get on to a different section.

HON. MR. SCHOENHALS: — Mr. Chairman, once again I would direct the member's attention to the paragraph on 32. It explains very clearly why in the taxation structure of the corporation these options are, in fact, essential. The fact is that if these are not in place, the corporation will lose hundreds of millions of dollars that will apply to the entire investors, to the government shares, to the entire corporation.

I would trust that you have had an opportunity now to go through that and that that hopefully answers the questions. And once again, for who knows how many times, the shares are fairly priced. The distribution mechanism and the selling of a single unit will assure accessibility and affordability, and the shares will perform in the aftermarket.

MR. SHILLINGTON: — Mr. Minister, nobody can know whether or not these share are fairly priced until they actually start to trade on the exchange. Nobody can know, least of all Wood Gundy. And if you ask the people from Wood Gundy — and that would be a refreshing treat after dealing with this minister who, as I say, is a fair fool with figures — but if we had the option of asking the people at Wood Gundy that you had the option of talking to, the first thing they'd tell you is that this is just an estimate. They don't know how the shares are going to behave. The price of the shares depend upon the opinions and the views of the investors, and nobody can know what public opinion it's going to be tomorrow. We know that.

So we don't know what's going to happen to those shares. I say by the criteria which is normally used — price ratings, ratio, and cash flow — these shares are undervalued. You have some different formula which you won't tell us. So we're not going to use it.

You won't tell us how many shares there are. All this is guesswork. This is all a dark secret. Five hundred million bucks and a good cash cow that the taxpayers benefited a lot from; you're giving it away, and we're not supposed to get any details, Mr. Minister.

But this share option is something that I think should go. It is just so blatant — it is just so blatant and so completely indefensive.

You want to give the shares away at half their value. As I say, you can argue that. B.C. gave their

shares away for nothing — just mailed them out in the mail. But you can't argue giving the shares away at less than the true value and granting stock options. The two just don't make any sense.

You told us earlier, Mr. Minister, that these shares were priced for wide distribution. I think that's right. I think that's one of the few accurate statements you have made. I think these priced shares are priced to ensure wide distribution so they will be widely bought by Saskatchewan people.

I think that's inappropriate because I don't think that's where the needs are. You are giving to those who already have more than they need, and you're taking it away from those who don't have enough —namely the taxpayer — but that's a policy decision. But you can't sell the shares for less than what they're worth, as you said you were, and grant stock options. It's totally inconsistent.

Mr. Minister, assume, grant me the obvious statement that you don't know what's going to happen to the shares. Nobody does. They could go up or down. That's the way the market works. Let's assume they go up. Do you not agree that when they do go up, that if they do go up, the officers are going to realize very substantial windfall?

HON. MR. SCHOENHALS: — Mr. Chairman, once again the member stands and says, nobody knows. But we have listened for an hour and three-quarters to he and his colleagues say that there will be a windfall profit. Nobody knows — you're absolutely right — what will happen.

However, there are no dark secrets. The member who asked the questions stood in this House and read from completed final prospectuses this afternoon. A final prospectus with all the answers will be filed, and those answers will be arrived at at the pricing meeting the day before that final prospectus is filed. There are no dark secrets, and there is nothing happening that doesn't happen in any normal transaction of this nature.

If, in fact, I said that they were priced for wide distribution, I want to correct myself. They are packaged for wide distribution in \$29 units, and we've been through the packaging. And as I indicated, if I made an inadvertent slip of the tongue, much as I'm sure you did when you gave the numbers of the people who attended the various meetings which were absolutely and totally incorrect, but I will give you the benefit of the doubt, then I will trust that you will give me the benefit of the doubt. They are packaged for wide distribution. They are priced fairly and reasonably.

MR. SHILLINGTON: — Mr. Minister, you were right the first time. They're priced for wide distribution. That's what you said. We were not talking at the time about packaging at all. We haven't got to that. Haven't got to packaging at all. Haven't deal with that.

At the time we were dealing with pricing, and you said, knowing full well . . . I think what you were saying is they're priced for wide distribution. That's right. You can argue that. I wouldn't make that argument. I would oppose it. But it has been made before, and I think can be honestly made. But if you're going to price them low for the public of Saskatchewan, you can't give options for the officers. It's inconsistent.

But, Mr. Minister, let's assume for the moment that they do rise in value. Do you not admit that there is going to be a windfall profit to the officers if it rises in value?

Let's assume a modest rise of a dollar a share. That would be pretty modest. That can happen in any share from day-to-day. They can rise or fall a dollar. If they rise a dollar in value, that's \$12,500 every one of those officers gets for nothing, with nothing at risk. Do you think that's appropriate, Mr. Minister?

Mr. Minister, will you not admit . . . The question is: will you not admit that if the shares do rise at all in value, there's going to be a windfall go to the officers?

(2045)

HON. MR. SCHOENHALS: — Mr. Chairman, it's obviously clear that if there is substantial increase, there will be benefits. The point is that even a dollar in six weeks is a 10 per cent increase, is unreasonable to expect. However, as I have indicated, time and again, the shares have been packaged for wide distribution, and they have been priced fairly and reasonably.

MR. SHILLINGTON: — Mr. Minister, you haven't answered my question. If they rise in value, will you not admit that there's a windfall going to the officers, for which they have taken no risk?

HON. MR. SCHOENHALS: — Mr. Chairman, as I indicated in my last answer, if the shares rise, there will be benefits to the executive members who exercise their options and to all investors. But I will not accept the term, windfall.

MR. SHILLINGTON: — What have they done to earn the profit which they will make on those options?

HON. MR. SCHOENHALS: — Mr. Chairman, what they have done has been demonstrated — loyalty, competence, and have turned this company around to the point where today it is one of the most successful, well-managed oil and gas corporations in Canada. And I have no problem making that statement. That is what these people have done.

MR. SHILLINGTON: — Mr. Minister, they're paid 100,000 bucks. I don't want to get into the issue of their salary, because . . . Well I can show you other companies where the officers are paid less. I'm not going to do that because I don't think that's the issue. The issue is not their salary. The issue is these options. It's true that they have put in some time into this company. They've put some years into this company, but they're paid very handsomely for it. I say, Mr. Minister, that these options have not been earned. They've taken no risk and put no time into it for which they were not handsomely paid. The fact that they're worked here for several years doesn't give them the right for this windfall, Mr. Minister.

HON. MR. SCHOENHALS: — Mr. Chairman, the fact of the matter is that in the real world executive stock options are, in fact, in many cases — I won't say most — in many cases part of the remuneration package of an executive. And so this does in fact tie into the remuneration package. I can only repeat again, the shares have been fairly priced. There will be no windfall.

MR. SHILLINGTON: — Do I take it from that last comment that these options are purely and simply remuneration? Do I take it that these options are purely and simply remuneration, Mr. Minister? Is that what you just told me?

HON. MR. SCHOENHALS: — I indicated that that is common practice, and they could be considered that. They are part of the total sequence of events that will take place to allow Saskoil to be placed in the best tax position for the benefit of all the investors. And again I would refer you to the paragraph, the second paragraph on page 32, that explains in detail why this is necessary in the taxation process. We don't find anything inconsistent with it in terms of making the offer which is the side of the thing that you want to discuss, and I'm trying to keep my comments on that side.

MR. SHILLINGTON: — I didn't ask you what's common practice. I asked you if that's why you're doing it. Is it remuneration? Is that the justification for this option?

HON. MR. SCHOENHALS: — I just indicated, Mr. Speaker, why in the series of events that will take place in order to get the best taxable position for Saskoil, this is necessary. I refer you once again to that paragraph. However, I have no problem with the concept of senior executive stock options as laid out in this prospectus because I have confidence in the pricing of the shares.

MR. SHILLINGTON: — Do I take it that the minister is putting forward as a serious proposition that these stock options are going to result in savings on income tax to Saskoil? Is that what you just told us?

HON. MR. SCHOENHALS: — Mr. Chairman, they are absolutely critical to Saskoil arriving at the most preferable taxation position as indicated in the second paragraph on page 32 of the prospectus.

MR. SHILLINGTON: — Mr. Minister, that isn't what the second paragraph says and I don't believe that's what the officials around you have told you. That is not what that paragraph says. That does not happen to be the facts. I don't think that's what your officials are telling you.

Mr. Minister, you wondered how Saskoil did in the bad old days when the socialist reign of terror occurred. I asked the page to go get the 1981 annual report, the last annual report for the year in office. Lo and behold — oh, oh, — lo and behold, guess what we made? Twenty-two million dollars. Yes, 22 million bucks. So these people did a reasonable — and was under a different royalty system, more to the point — anyone . . . You want to reduce the royalty system, of course, they're going to make more money. The royalties used to be a significant feature.

Mr. Minister, I don't want to get into the question of the competence of these officers. That has never been in question; that has not ever been in question. Nor has the appropriate level of their salary. That's not in question. What is in question is the appropriateness of this stock option. For you to suggest that this stock option is absolutely keyed to the income tax treatment is nuts. I can't believe you're putting that forward as a serious proposition. I ask you to put forward a serious comment about this. Is it remuneration?

HON. MR. SCHOENHALS: — Mr. Speaker, if the member from Regina Centre is accusing me of misleading the House, I challenge him to stand and say it.

And I will tell you that you just misled the House in a very dramatic way. In 1981 Saskoil lost \$6 million.

MR. SHILLINGTON: — That is not accurate; neither is that the issue.

I am accusing you, Mr. Minister, of gross incompetence. I'm accusing you of misleading this House through gross incompetence. I'm not saying it's intentional. I don't think this minister has done anything in the last day and a half that's intentional. I think he is so confused. He comes by his stupidity with great naturalness. I say, Mr. Minister, I accuse you of gross incompetence in the manner in which you have handled this Bill. We have spent two days here, and we couldn't get the time of day out of you. If it were germane to this discussion to get the time of day and somebody blocked that clock off there, you couldn't give that to us. You haven't given us any information, none at all. None at all. We ask you a question four times, we get five different answers.

So I say, Mr. Minister, am I accusing you of misleading the House? Yes, I'm accusing you of misleading the House to gross incompetence and stupidity and for not doing your homework before you came.

You knew for five weeks you had to take this Bill to the House and you haven't read that prospectus. It's obvious the way you've been handling this thing and that's a disgrace. For 70,000 bucks, which I assume to be your salary, this House as a right to better treatment than what we've got this afternoon. This is a circus. This is an absolute circus, and it wouldn't be tolerated anywhere in the private sector. It wouldn't be tolerated anywhere in the private sector. You have made a mockery — you have made a mockery out of this committee, Mr. Minister, because you were too lazy to do your homework ahead of time and too thick-skulled to understand the information when give to you by your officials. Am I accusing you of misleading? You're darn right I am.

HON. MR. SCHOENHALS: — Mr. Chairman, I think I can put this whole thing into very clear perspective. The member from Regina Centre, who has the nerve to stand and accuse me of incompetence, stood in his place and said that Saskoil made \$22 million in 1981. The fact of the matter is, he can't even read the balance sheet. Saskoil had \$22 million of retained earnings at the start of . . .

MR. CHAIRMAN: — Order, order! Order, order! This is obviously getting out of control. I would ask members on both sides . . .

HON. MR. SCHOENHALS: — Mr. Speaker, I will in a very calm voice indicate that I do not believe that anyone will accept an interpretation of competence from the member from Regina Centre when he just got through looking at the 1981 annual report where it indicates, rounded off, \$20 million of retained earnings at the beginning of the year, and called that the profit for 1981, when in fact Saskoil lost \$6 million in 1981.

MR. KOSKIE: — Thank you, Mr. Chairman. I just want to, for the general public of Saskatchewan, review a couple of things with the minister. I want to ask the minister if he would outline the financial position of Saskoil in your view at the present time, which is totally owned by all of the people of Saskatchewan. Could you outline briefly the financial position of Saskoil which you are now privatizing to only those, not only in Saskatchewan but outside of Saskatchewan who are going to have an opportunity to invest in shares. I'd like you to outline briefly sort of the health of the financial status of the company in which all of the people of this province to date have totally been the beneficiaries of. Would you generally give the outline of the fiscal position of the company.

HON. MR. SCHOENHALS: — Mr. Chairman, I would direct the member's attention to page 34 of the prospectus, and in very general terms it demonstrates that the corporation is today in a very strong financial position. That has been clearly spelled out in words and slides around the province in the last two or three weeks, in the town hall meetings that have been held.

I might indicate that in assessing the strong financial position, it is obviously a complete change since the government changed in 1982. As has been indicated in correcting your colleague — and I assume friend — in 1981 Saskoil lost \$6 million. In your nine years in control of the corporation it seldom made a profit and never paid a penny in dividends. It has only been since the change, since the mandate, since the reorganization, that Saskoil, under the direction of an outstanding management team, has in fact become a very strong and competent corporation.

We have then been through all the issues on the way the share and the units will be distributed, the affordability and the accessibility, and I repeat once again that they are available to anyone in the province; they are affordable for most of the people in the province, and they key element in the whole thing is that the people of the province will now be able to make a choice on whether or not they take part in an investment in one of the Crown corporations.

MR. KOSKIE: — My next question to the minister: as a Crown corporation, and indicating that it is in excellent financial shape under supposedly your administration — God help us — look at the potash corporation. Look at the indebtedness of the province, and, my heavenly days, who would believe this outfit can manage?

I mean who in this province could have any faith in a minister coming forward who is a member of a cabinet that has practically turned the fiscal policies of this province over to the extent of \$1.5 billion in debt/ That's where we're at.

(2100)

You have increased the Crown corporation debt substantially from about 3 to \$7 billion. You've increased the taxes on the people, ordinary people of this province. And you ask us to stand here, and you expect the people of Saskatchewan, in your dying days in office, to trust you. Trust me; trust me because this one is really going to work for you. We have failed in every other fiscal management of this province, but let us do this.

Just imagine. And he can stand before this legislature and take credit. I'd like to ask the minister: is the Crown corporation in a fiscal position that it could, in fact, continue the developments of its properties and expansion of oil in this province as it sits, with no change, at this

stage, when you're going to be privatizing?

HON. MR. SCHOENHALS: — Two questions were asked, Mr. Speaker. I think one was: who has confidence in this government? I would suggest to you that thousands and thousands of Saskatchewan people . . .

MR. CHAIRMAN: — Order! The member from Quill Lakes has asked a question. I would think the opposition would like to hear the minister's answer.

HON. MR. SCHOENHALS: — Once again, Mr. Speaker, literally thousands and thousands of people who have expressed interest, and who will purchase shares in this corporation are obviously people who have confidence. The member discusses the continued operations of Saskoil. Saskoil is probably in a position to carry on in its current frame, in its current fiscal framework. What we will realize here will be 25 to \$35 million that will go the corporation, that will be used to improve the corporation. The corporation has indicated that the majority of that, or a large portion of that, will be targeted into the heavy oil development, and that is obviously capital that will be used to take advantage, to provide feed stock to the upgraders which will be built in this province. Some indication has also been given that there are significant opportunities developing in this province, and this is a new development in the natural gas area. And Saskoil will be in a position to take some of this capital and take advantage of those opportunities. So this financing mechanism is important to the long-term future of Saskoil.

Second part, of course is the other \$75 million which will flow through CMB to the Heritage Fund and will make significant contributions in the province. And we've indicated where those will be targeted in the four pillars, those being agriculture, job creation, health, and education.

And I would repeat once more that that is, Mr. Chairman, by the admission of the Leader of the Opposition, is a significantly different concept of a Heritage Fund than the one they had, where he said very clearly on CFQC radio in Saskatoon, it was never the intention to have dollars in the Heritage Fund to build nursing homes and hospitals. Of course, when you have a seven-year moratorium on nursing homes you don't need a whole lot of money to build them.

MR. KOSKIE: — Mr. Minister, just so the general public, the 90 per cent or more who will not be participating in the purchasing of shares, all of those people that, first of all, do not ordinarily invest in risk ventures of buying shares — and that's what's speculative — all of those who don't have the income, in fact, to buy a package, and to buy \$29 worth is your enticement that they're in a package, that everybody can afford \$29. Well, big deal. Isn't that a tremendous investment in it.

But I ask you, out of the profits in the last year, in the report 1984, \$44,000 was the profit of Saskoil.

AN HON. MEMBER: — 44 million.

MR. KOSKIE: — And I ask you, Mr. Minister, with the Crown corporation as the structural body of operating the development of oil in Saskatchewan, who is entitled to share in the profits of a Crown corporation? Who, in fact, is entitled to the profits of a Crown corporation, the 44 million that you made last year?

Is it not, in fact, true that that profit, because the taxpayers invested, took the risk, that all of that money, the \$44 million, is in fact the entitlement of the people of this province to build the schools, to build the highways, to support education, to give opportunities to all of the people of this province who own those resources?

And I ask you, if you take a look at the restructuring of what you're doing here today, you're going into a 60-40 — 60 Crown or public, 40 per cent private. About 10 per cent of the people of this province . . . Well I'll ask you. You tell me then if I'm wrong if about 10 per cent will be investing. You tell me how many, because you don't know either. But I can tell you, there's not a large proportion of the people of Saskatchewan who are buying shares of any significant amount.

But under the Crown corporation, the profits that were made could be used by the directors of the corporation to expand its operation for the future development of increasing additional profits for subsequent years, or they can, in turn, declare it as a dividend which will go for the programs across at government supply. So 44 million at those two potentials, either to pour it back into future and enlarge development with the potential of more profit, or the 44 million could be declared as a dividend to be distributed for services of all the people of this province.

I ask you. And I'm telling the people of this province that put up your structure of privatization, 40 per cent are going to be by those who have money to invest. And they'll come from Alberta, and they'll come from British Columbia, and they'll come from Ontario, and they'll come from across Canada.

And I think that, at the present time, we have a strong corporation here, a Crown corporation, and as your own report says, this is the only major oil company with head office here in Saskatchewan. So I ask you, what is the benefit to those people who cannot in fact invest a substantial amount? How are they winners?

HON. MR. SCHOENHALS: — A simple answer there, Mr. Chairman, is \$75 million.

But to go back to where he started that harangue. The member opposite started this whole issue with a question of management, and he has clearly identified that last year this corporation made \$44 million and paid a significant dividend. The fact of the matter is — I could ask him to give me the fact, but I'll give it to him — in the nine years that this party was administering, running the corporation, they seldom made a profit. We've clearly indicated that, despite the misinterpretation of the member for Regina centre, they lost \$6 million in 1981. In those nine years, they seldom made a profit and never paid one dime in dividend to the Crown — never paid one dime in dividend. And I would challenge him to prove me wrong if he wishes, but never paid a penny.

In terms of the numbers that will participate, I will suggest to you that it will be significantly higher than 10 per cent. Obviously it won't be a majority of the people in the province. However, they will all, for the first time, have a choice. I will ask you, sir, did the people of Saskatchewan have a choice . . .

MR. CHAIRMAN: — Order, order. It is going to be very difficult to continue this unless you're prepared to let the minister answer the question.

HON. MR. SCHOENHALS: — Did the people of Saskatchewan have a choice when Saskoil was founded? The answer is patently no. It was a government decision; it was not a people decision. They did not have a choice whether to remain as investors. They didn't have a choice whether they wanted to purchase half the potash mines in the province. Obviously that's the case.

In answer to the question, what will the people who do not invest benefit, they will realize \$75 million in the Heritage Fund to be used, as I indicated, in those four areas which I believe are very, very important to the people of Saskatchewan, whether you choose to agree or not. They will also, if they are satisfied with that passive investment or government investment, remain the majority owners of the corporation. So the best of both worlds, I would suggest, is what we end up with.

MR. KOSKIE: — Mr. Minister, you're saying that you're giving the people of Saskatchewan this wonderful choice. Everyone is having a choice. I ask you, the people that don't have sufficient money for investment in speculative shares, the 60,362 welfare recipients, the 40,000 unemployed, the students who can't even get student loans, many of them, is this a choice to them?

Who is really having the opportunity of a choice of participation? Is it the seniors who have built this province, who are living now on old age security and other social assistance? Is it the old people that have no amount of savings to put into speculation of shares?

If you wanted to raise some additional money, Mr. Minister, why wouldn't you in fact have gone

with another debenture or bond issue, and at the same time, you would put into the people's hands, those that wanted to invest . . . But you wouldn't divest from those who couldn't in fact invest in shares. You're divesting them of an interest in a Crown corporation. There's no doubt about it. That's what you're doing.

And I'd like to ask you, Mr. Minister, you indicate that it wouldn't be . . . No-show is speaking. He never speaks in the Assembly, by the way. But, Mr. Minister, how do you indicate that you are in fact giving a choice to all of those people who don't in fact have the financial resources even if they had the knowledge of investing in shares? Why are you denying them?

You are being unfair because to those with substance and financial resources, you're saying, I'm going to give a choice. And you said we're taking 75 million and putting it into the Heritage Fund. But you're doing it for those who you're giving the choice, and they're going to be reaping profits from buying shares or otherwise they wouldn't be in it, and at the same time, they're getting a benefit from the 75 million that you put into the four pillars that you talk about. So what you have done is taken away from those on the lower income level. And what you're doing is giving it to the affluent. There's no doubt about it. It's as simple as that. You're turning it over to . . . more than that, you're going to be participating right across Canada. And not only . . . The money that we were making in the Crown corporation will be further still distributed.

(2115)

But I want to say, just have another word from you, Mr. Minister. If you look at the Crown corporations, the last year we were in office, we made \$115 million of profit to the people of this province. You took charge, and potash has been going down ever since because you're putting it over to the private industry. That's what you're doing. And you know what you did, even in the years when you made no profit in the potash, you know what you did? You took out a retained earning, \$62 million, and poured it over as a dividend. That's what you did.

And you start talking. You have the nerve to stand up here and say that you can manage a province, when we in the last year made \$115 million in Crown corporation, and you in your first year, a net—a loss of \$126 million. That's what you did.

And so what I'm saying to you, Mr. Minister, you're giving a choice. Of course you are, because you're elected to give that choice to the rich and the wealthy. Look at your donators. Who sponsors the Progressive Conservatives? The banks, the energy companies, the oil companies, the rich, the wealthy. That's who you're directed by. You're not going and acting on behalf of the people of this province. You're going and doing . . . you're a servant to those that finance your appeal and then draw up your platform.

It's a commitment. You know what else it is? I'll tell you. Each year under Saskoil as a Crown corporation, each year we get an annual report, and the minister reluctantly comes in to a Crown Corporations Committee, and we, as members of the legislature, have an opportunity to thoroughly and fully examine the performance of Saskoil and any of the other Crowns. And you know what that does? That's an embarrassment to the private oil companies that you've been giving the holidays to. That's what it is.

And you know what now? The people of Saskatchewan are not going to have an annual report — Saskoil, the Crown corporation — that we can bring you, Mr. Minister, before the Crown Corporations Committee and analyse what is happening.

And looking at the wealth and the profit that's being made by Saskoil, producing 8 per cent of the oil — and that's what it says here, \$44 million — and then you can take a look and you say, well who's producing the rest of it? Ninety-two per cent is being produced by the private corporations. And there's no reason to believe that they are not making an equivalent or greater profit than the Crown corporation, because you birds say Crown corporations are inefficient. You can't possibly have a Crown corporation. They're wasteful. They aren't as efficient.

So you know what? We look at this report and we know exactly what you're giving to the private corporations — over \$300 million dollars of tax and royalty holidays. And by privatizing this, you shut off the very window to the industry in order to see whether or not you're fair.

The second thing you do is if you want to have tough negotiations with private companies, and they say, well we aren't going to pay your royalty rate; we just won't do it because we can't make a profit, well I'll tell you what you can do for the Crown corporation. You can set up a royalty rate; you can go out and produce; you can demonstrate that you made a profit, and you know what? You can bargain with the private boys. You can, in fact, bargain with them and you can bargain, and not for the benefits of the oil company, but in fact for the benefit of the people of this province. And that's what we're representing.

I want to ask you, Mr. Minister, if in fact you needed money for further development of Saskoil, why wouldn't you have — if the first participating bond was so successful — gone with a bond again and increase the development, but leave the control and the ownership in the hands of the people of this province?

HON. MR. SCHOENHALS: — Mr. Chairman, obviously there were a large number of things in that monologue to respond to. I'll try to summarize if you'll allow me.

He indicates that the reason for having a Crown corporation to serve as an eye on the industry is so you can beat on the industry. If, in fact, Saskoil is typical of the industry, as he indicate, and should be used as a window, it's very interesting to note that in 1984 Saskoil paid twice as much to the Crown as they did in 1983. Obviously it's a further indication of selective statistics, if you will.

I've tried to accept the questions as reasonable and meaningful that have been presented tonight, but I find that the monologue that this member, the member from Quill Lakes, just went through literally dripping with the hypocrisy I talked about the other night. The problem with what we are doing is that we are offering a reasonable investment opportunity to the people of the province, and we are indicating very clearly where the money would go.

The other night in this House I pointed out the plan that was adopted in January of 1982 by the previous administration to do basically the same thing. The only difference, and I'll use the word used by the member from Shaunavon, rather than providing the people with a realistic investment opportunity, they grouped together a group of turkeys and were going to propose to allow the people of the province to express their partnership with government by this investment. There's no basic difference in what's being proposed from what was proposed then.

Two significant differences, Mr. Chairman — two. One is the quality and calibre of the investment opportunity, and the other is what the funds that were realized were to be used for. And the funds that were realized were to be used to expand government involvement in the economy of the province. We don't agree with that. We believe that the money that's realized, the \$75 million, should go to the Heritage Fund and should be used for all the people of the province in the areas that we've clearly indicated — health, education, agriculture, and job creation.

So, Mr. Chairman, I believe that is a far more realistic opportunity than the one that was adopted in January of '82 and was only prevented from taking place by the election. I think that the people of this province will be very pleased with this opportunity. Whether they actively become involved in it or not, will be their choice, but I believe that the people support this concept.

MR. KOSKIE: — In respect, once you have set up the new privatized corporation on a 60-40 — on a 60 per cent public, 40 per cent private share holdings. Can you indicate what — and just using the 1984 profit of \$44 million which I maintain could be used entirely by Saskoil for development, or could be transferred entirely, as you did in 1983; you had \$30 million profit and you paid a dividend of \$30 million — I'm asking you now, once you set up your private corporation on a 60-40 basis, and using last year's or '84s profit, what will be the split for the general people of Saskatchewan as

compared to the potential that you had in '84 for the disposition of the 44 million?

HON. MR. SCHOENHALS: — Mr. Chairman, when the corporation is structured under the new structure and the new board of directors is placed, they will establish a dividend policy. It's impossible to say at this time what that dividend policy will be. However, the private shareholders and the government shareholders will all be treated the same in that situation. The difference of course, is that the members of the public, the government, if you will, will have \$75 million tucked away in the Heritage Fund.

MR. KOSKIE: — I think that you have made it clear that in the future instead of having 100 per cent of the earnings of the Crown corporation, you now are subject to your shareholder dividends of 60 per cent and, as a consequence, you're reduced down to 60 per cent of the net profit of the corporation. And accordingly, those who have money, substantial money, did not join together and form a corporation on their own from the ground. And you say there are such great opportunities here in Saskatchewan. But what they have done is come along, and they say, we believe in free enterprise. But you know what we want? We want something that's really good.

And you look at the annual report and it's 20.8 per cent on investment. That's what the president — 21.8 per cent — return on average capital employed is 21.8 per cent. It makes Saskoil one of the most profitable corporations in the country.

And so what you have done here then is free enterprisers. These guys that want initiative and take risks. They come along to you and they said, oh well, Saskoil looks tremendous, and we've got some bucks, and it's easy to control the corporation by the manipulation of shares.

And that's what you have here. To those that have money and wealth you have turned over to them one of the most profitable oil corporations in the country. And what you're going to do is to give to those who are wealthy, and can invest, and insignificant to the small person that can put in the 29 bucks, or can't put any at all. That's the truth of the matter.

And as has been said before, those with wealth will control this corporation. There's no doubt about it. Those who call themselves free enterprisers but don't have the gumption and the courage to formulate their own company; you're giving lots of concessions. Why not let them start their own company? Why turn over to those free enterprisers, those capitalists, something that is already moving.

And when I look around, you know, and we're having . . . The next Bill is the upgrader, and you know who's financing that? You don't find a free enterpriser. Do you know what you'll find starting this one up too? Taxpayers. And I suppose once it starts to function again, if this government is ever returned . . .

AN HON. MEMBER: — That will never happen.

MR. KOSKIE: — It never will. I know it won't. But this would be the scheme. Taxpayers finance the total cost of the upgrader. Federal and provincial taxpayers. Get it going, and I'll tell you you'll have a bunch of free enterprisers around. And then we're going to give them a choice to participate. Can you imagine?

And what you've done here is diverted the profits from a Crown corporation, which is for the benefit of all of the people of Saskatchewan, and what you're doing now is splitting it 60-40, and the 40 per cent you're funnelling off to those who can invest in and can control this company.

There is no choice to those who can't, in fact, invest, and you know that. So I ask you: if you're open for business, and all of these investors are out there, why are you not, in fact, getting some investment in this other venture, the upgrader?

Here is an opportunity — you're telling the taxpayers that it is a good deal. You have said that we

have studied it, and the millions of dollars that we're putting up as taxpayers is a good investment. Well, I'm asking you: where are the free enterprise investors? They're sitting back waiting until it looks like a good deal, and then their puppets that they have elected in office will come along and say, we'll give them a choice — just like they have in Saskoil.

(2130)

There's no other description for this than what you have done through the efforts and the imagination of the previous government and establish a Crown corporation which ended up with having a head office, the only major corporation, oil company with head office here in Saskatchewan. And just when it's on the thrust of making substantial money, enduring those years of building up their base and their assets — and read the reports — it's there. Just when it's on the threshold of making a substantial profit for the people of this province, and God knows you boys need some profits to get that deficit under control — it's 1.5 billion and going up — and at this time now what you've decided to do is to say to your friends, those boys with the great initiative, those guys with the risk-taking nature, you say to them, come along fellows. Actually you don't say come along.

They have said to you, as the chairman of the board of Saskoil said when he was sitting on it, if you could feature; he says, it's time that this government get going on their commitment to us to privatize it because we want some of the action. And he said it at the chamber of commerce and he says it in here. And you know what you did? You went out and offered some participating bonds, and you offered — and I think they're a reasonable investment, somewhere around 13 per cent, I believe, last year. And that's fair because you could go out of the province if you're going to borrow to finance and the people are putting the money up in a security.

And what you have turned around now and said, those participating bonds indicate that now the people want the choice of buying shares; but you know that's not the truth. You know very well that once you throw it open to the share structure, that it's going to be controlled by a very few people, and it doesn't take a lot of ingenuity.

Look at Pioneer Trust. Just look at it. It started here in Saskatchewan by two individuals with a couple of ideas and they went around this province and they sold shares, sold shares. And what I am saying is that many Saskatchewan people participated, and many people lost because the collective control of that company got into the hands of a very few people. And you say you can go and vote. Buy a \$20 package and go and vote at the meeting. Now isn't that about as interesting . . . You know, you couldn't even afford to go to the meeting on the return, and most people couldn't. Never vote with their shares, the ordinary, small investor. It gets into the hands of a very few.

Now I'll tell you there's going to be some pockets frilled before this deal is over. And we've sat here this evening and we've illustrated to you part of the pocket-filling, or the potential of it, and that is in respect to the prospectus and handing over to the executive officers who apparently were perfectly satisfied to work for four or five years, some of them, with Saskoil as a Crown corporation — didn't need this additional incentive — and were able to mount a reasonable profit.

And so while you can try to fool the people of this province by saying that you're giving a choice, let's face it. What you're really doing is excluding all of those that can't, in fact, afford to invest. How — I ask you this. If there are a 100,000 people in this province, and I use that term and I'll tell you why; if you look at the statistics of the number of people that are employed in this province, it's over 460,000 or so. And if you look at the number of people that are working from 0 to 30 hours a week out of that total employment field, and do you know . . . (inaudible interjection) . . . Well, from 1 to 30. It's your report. Don't laugh, Mr. Minister. That's what you say in your report, 0 to 19 you have and you have from 19 to 30. And do you know how many people in this province in the work force work 30 hours or less? 102,000 people; and they say they aren't unemployed and they're going to have a choice in investing in this corporation. 102,000 people working 30 hours or less. And this minister smiles and he says — well if he were honest what he would get up and say, I have taken my orders from my masters, the energy companies, the oil companies, the Boyd Robertsons of the world, and those free enterprisers that want to get in on a good thing. And what he is saying, and

what he is trying to do, is to sell it as a choice to all of the people of Saskatchewan.

Simple question: how do you improve the position, the position of literally hundreds of thousands of people in this province who cannot, in fact, afford to buy a single package? How do you improve their participation?

HON. MR. SCHOENHALS: — Mr. Chairman, once again a rather long and convoluted harangue. It's rather difficult to respond to all the points. Let me try to deal with a number.

Argues that control will be turned over to some small group. I would suggest if member wants to understand, in fact, how control will be restricted in this corporation, that he number one, read the Bill, and number two, allow us to go to clause by clause, and we'll point out very clearly how that is being prevented. That is obviously the case.

Secondly, he argues the give-away argument again —patently false. This share offering is not a give-away to anyone. It is, in fact, as he sarcastically indicates, an opportunity for the people of the province to become involved in the corporation.

I am truly amazed when he discusses the upgrader, the Co-op upgrader; I would simply say that if I were a member of the Co-op I would be watching very carefully the comments that are being made in this House about that organization and would understand fully what would happen to project if that party ever got to have any control of the project itself.

Secondly, the question has been asked, what are the benefits to the people who do not choose to invest in the corporation. The answer is again \$75 million from this offering will be realized, will flow to the Heritage Fund, and will be used in ways that will benefit all the people in the province of Saskatchewan.

MR. KOSKIE: — Would you agree, Mr. Minister, that your share offering really represents no choice to those who have very little income and cannot afford to invest? Do you admit that they will not have an opportunity or a choice to participate in this here venture?

HON. MR. SCHOENHALS: — No, Mr. Speaker. As I've indicated very clearly, the units are packaged in such a way that they are affordable. They will be distributed in such a way that they are available. The commitment is to all small Saskatchewan investors first, and those elements are not necessarily the first time, but they are certainly extraordinary in terms of issues of this type, and consequently, I repeat again, that people will have the opportunity, people will have the choice, based on the way the issue has been put together.

MR. KOSKIE: — Mr. Minister, a simple question. If there are 63,000 people on welfare, will you provide welfare benefits to the extent that they can use . . . do you really think that they will have money left over to participate in the share purchase? Do you really believe that? Or do you believe those on unemployment insurance or unemployed, do you really think that they have a choice?

HON. MR. SCHOENHALS: — Mr. Chairman, obviously there will be people in society who will choose not to invest and it may be because of the circumstances. I have said consistently that the price that they have been packaged at makes them available to most of the people in the province. You've mentioned senior citizens. I would indicate again that the largest single group at the road shows, the town hall meetings we had around the province were, in fact, senior citizens — senior citizens looking at an opportunity to invest themselves, looking at opportunities to make purchases for their grandchildren, looking at opportunities to make purchases for their children. They believe that this is a realistic opportunity. Many of them are very interested in taking part.

MR. SHILLINGTON: — Mr. Minister, one of the reasons why there may have been some senior citizens out at the meetings is because many of them might have shared the confusion of the member from the Battlefords — Moose Jaw North as well — who said it's not quite a share issue, not quite a

bond. Mr. Minister, there is a great deal of trust in this province with respect of government issues.

People trust. Always has been. Has been for decades. There has been for decades. People trust the government issues. They are bond issues. They are backed with the power of the provincial, of the ministry of Finance, and they return a reasonable return. People trust them.

The reason why there may have been some senior citizens out is because they thought you were offering something in the nature of Saskoil bonds. They did not realize that what they're buying is a share in an oil company, managed ultimately by the people who brought you a deficit of 1.2 billion, or whatever it is now. It's raced probably far beyond 2 billion now.

If they had understood that they were buying a share in a company owned by a bunch of buffoons, the like of which we have seen across the House today, I tell you there'd be a lot less interest from senior citizens.

Mr. Minister, there's a good deal of confusion, as was exhibited by the member from Moose Jaw North and the member for the Battlefords, about exactly what this is. This is a share issue.

Mr. Minister, do you think this is going to do a lot of good for the people lining up at the food banks every day to get vegetables, producer out of there? Going to do them any good? To do the single parent families who subsist on a fraction of what we live on — going to do them any good? Going to help out the people on minimum wage, who have been at that level with a two-bit increase four years? Going to help them? Going to help the students? Is it going to help the constituents of the member from Cumberland and Athabasca who have a 95 per cent rate of unemployment, largely because of the policies of this government in dismantling the structure that was up there? Is it going to help the natives that the member for Cumberland so ably represents and speaks for? Is it going to help them? If it's going to help the people I have mentioned, Mr. Minister? I'd like you to tell me how.

HON. MR. SCHOENHALS: — Mr. Chairman, in three years, as I indicated earlier in the evening, I have heard the member for Regina Centre stand in his place and slander private citizens. He has tonight slandered the management of Saskoil. He now stands in his place and tells senior citizens in this province that they're not intelligent enough to tell the difference between a bond and a share, Mr. Chairman, I believe that every member owes every senior citizen in this province an apology for making a comment of that nature. I think it's despicable.

Mr. Speaker, he asks basically the same question that his colleague asks. There will be people who will not take part in the issue. Those people will have \$75 million in the Heritage Fund. I would suggest that additional emphasis placed on education, which is one of the four pillars, will do more to help that group of people than maintaining Saskoil as a Crown corporation. I would repeat that those people will benefit through that element of this offering, and hopefully, they will improve themselves, and they in the future may be able to take part in the trading of the shares.

(2145)

MR. SHILLINGTON: — Mr. Minister, if some of them are confused I think they can be forgiven. You had at least two members who sat in your caucus . . . And you only had a half a dozen speak on the Bill. But of the half a dozen who spoke on the Bill, two of them were confused about the very issue because they described it as half — somewhere between a bond and a share. It is nothing of the sort. This is an equity issue.

Mr. Minister, some of those people who are confused may have been guilty of reading the literature which you have put out. Nowhere in this pamphlet does it say that oil shares are speculative investments. That would be required . . . Mr. Minister, no private company would get away with what you are doing. No private company would dare promote shares in the fashion in which you have. And I ask you to ask the counsel — I assume he's general counsel sitting there — if that isn't the case.

No private company would get away with running across this province touting shares in the fashion in which you have done. There's nothing in this pamphlet which says that shares could go down in value. And that is one major difference between shares and bonds. Bonds don't go down in value. This doesn't say that. It doesn't say that oil shares are speculative investments as they clearly are.

Some of those senior citizens, and others who are confused about what you are doing, may be guilty of nothing more than listening to what you've said.

AN HON. MEMBER: — Blue chip.

MR. SHILLINGTON: — Yes, it sure is, it sure is. The member for, I believe, Saskatoon South, made the comment that these are blue-chip; they're nothing of the sort. They are nothing of the sort . . . (inaudible interjection) . . . They're nothing of the sort. They're nothing of the sort. A blue-chip, a blue-chip security, which as I illustrated earlier in the evening, can rise and fall dramatically in value . . . The Bank of Nova Scotia is a blue-chip security. A blue-chip security is one that has paid dividends for many years. That's one definition of it.

As you point out, that hasn't happened in this company. This company doesn't have a history of paying dividends for many, many years. That is a lawyer, representing the riding of Saskatoon South, who described this as a blue-chip security. I may have the riding wrong, it may not be Saskatoon South, but I'll tell you what I'm not wrong about, that that is a lawyer representing a Saskatoon riding who described this as a blue-chip security, and that's patent nonsense. These are not blue-chip securities. These are speculative investments, and no private company would get away with the cheap propaganda effort which you have, Mr. Minister.

HON. MR. SCHOENHALS: — Mr. Chairman, I would suggest to you that the senior citizens we have talked to very clearly knew the difference between a bond and a share. I will tell you categorically that the member from Moose Jaw North and the member from the Battlefords know the difference between a bond and a share, and we're indicating the combination. I will tell you as well, Mr. Chairman, that the pamphlet that the member has indicated were distributed in concert with the prospectus which very clearly lays out what is there and also with the annual report. And the whole purpose has been to indicate what the shares are, how they're packaged, how they're obtained — the corporation's very successful marketing program despite what the member says.

And I repeat again that to suggest that senior citizens somehow do not know the difference between a share and a bond shows a great deal of disrespect on the part of the member.

MR. SHILLINGTON: — I agree, Mr. Minister, that to have the facts available to you, as I assume members of your caucus did — I assume they had the facts available to them — and then to confuse a share and a bond takes a real moron.

Let me read for you what one of them said in this Assembly:

That's basically a blended instrument. It's not quite a bond, it's not a full share, but what did people basically getting for their \$20 is not a share, but three opportunities to participate in an oil company.

Not a share. Not a share, he said . . . (inaudible interjection) . . . He sits in your caucus.

Mr. Minister, as you have so aptly demonstrated, a prospectus is something that a sophisticated investor reads, and only sophisticated investors can read those prospectuses. They are intended to be read, really, by the brokers.

To give people a prospectus, which most of them can't read, and then to give them this thing which is quite misleading is, I say, Mr. Minister, to flout the security laws in this province. No private company would get away with that. No private company would get away with this dog and pony show which you've had going.

And as I say, if people are confused about it, they've probably been guilty of nothing other than trusting the government, which has, to date, not steered them wrong on investments because government investors to date have been something you can trust.

The other thing they've been guilty of is listening to what you say and reading what you give them. What you say and what you've been giving them has really been quite misleading. We have one lawyer, I'm told representing Saskatoon Eastview, who just said this is a blue-chip security. Mr. Minister, if you think this is a blue-chip security, I'd like you to say that from your seat. That's a member of the bar.

AN HON. MEMBER: — Where does it say that on the record?

MR. SHILLINGTON: — Where does it say that on the record?

AN HON. MEMBER: — Yes.

MR. SHILLINGTON: — He just finished saying it and the sheepish grin on his face is all the proof we need that the member for Saskatoon Eastview just said it. Just the sheepish look on his face is all the proof we need.

Mr. Minister, I say that if the public are confused, that's because they've been listening to what you've been saying. No private company would get away with the travesty which your promotional efforts have represented.

HON. MR. SCHOENHALS: — Mr. Speaker, I continue . . . Mr. Chairman, pardon me, I continue to be amazed. He has so far tonight slandered the management. He has suggested that senior citizens are not capable of differentiating between a bond and a share, and how he has accused the entire population of Saskatchewan of not being able to read a prospectus. I find that without precedent. All the documents, the items used in the advertising of the issue, have been approved, vetted if you will by the securities commission. There is no avoiding the rules of the securities commission in this issue.

Secondly, Mr. Chairman, I would suggest to the member when he is commenting on what my friend and colleague from Saskatoon Eastview, a member of the bar, may or may not have said from his seat, I wonder if you are prepared to stand by everything you've said from your seat. In fact, I wonder if you're prepared to walk out the door and say some of the things you've said when standing at your place in this House. So I think that is again something that's beneath the level of debate that should be taking place here.

MR. SHILLINGTON: — Mr. Minister, you think it's beneath the level of a debate to repeat a comment made by a member of the Saskatchewan bar about these shares, which doesn't do him much credit. If you don't believe it, look at the sheepish grin on his face right now.

Mr. Minister, you are right. That was not said, that was not recorded by *Hansard*. So let me record what was said by *Hansard* . . .

AN HON. MEMBER: — A member that it going to go into cabinet, they say.

MR. SHILLINGTON: — Yes. This will add to the array of morons on the front bench. That's basically . . . What he said . . .

Supposing a senior citizen, supposing a senior citizen of someone else who is not sophisticated enough to read the prospectus . . . You have proved that not everybody reads the prospectus, because you didn't read it before you came into this House. That was patently obvious. It was patently obvious you did not read this prospectus before you came in here.

Supposing the Saskatchewan citizen didn't read the prospectus, may have read this, because that wouldn't tell him any different, and heard the following comment on television by an elected member of the legislature . . .

AN HON. MEMBER: — Where's the member from?

MR. SHILLINGTON: — Where's the member from? I believe he's well named. It seems to be the member from the Battlefords.

That's basically a blended instrument. It's not quite a bond, it's not a full share, but what the people are getting for their \$20 is not a share, but three opportunities to participate in the oil company.

Mr. Minister, what do you think someone watching television would have concluded from that remark?

HON. MR. SCHOENHALS: — Mr. Chairman, I think that the point that the member from the Battleford was making is that they are not purchasing a share, they are purchasing a unit.

The unit that they are purchasing for \$29 — obviously the member from Quill Lakes isn't interested in learning this. It would be a good idea — is a unit with two preferred convertible shares and one common share. And while I don't profess to get into the whole issue, the point is that the preferred share has a quarterly return. That is indicated on it, and that will flow the common share trades up and down. And I'm sure that we've had enough debate in this House on what a common share is.

So the point that the member from Battlefords was making is that it is a unit with three distinct shares, two of which are preferred, one of which is common.

The committee reported progress.

The Assembly adjourned at 10 p.m.