

LEGISLATIVE ASSEMBLY OF SASKATCHEWAN

December 10, 1985

EVENING SITTING

MOTIONS FOR RETURNS (Debatable)

Return No. 717

MR. LUSNEY moved, seconded by Mr. Koskie, that an order of the Assembly do issue for return no. 717 showing:

Regarding the period March 23, 1984 to December 3, 1985: (1) the number of out-of-province trips made by the Minister of Rural Development of Saskatchewan; (2) in each case his destination, the purpose of the trip, the name of each person who accompanied him at government expense; and (3) in each case the total cost of the trip separated according to costs incurred for each of the following: (a) air fares; (b) hotels; (c) meals; (d) taxis; (e) gifts; (f) gratuities; (g) entertainment; (h) expenses; (i) miscellaneous.

MR. LUSNEY: — Mr. Speaker, I move that an order of the Assembly do issue for return no. 717 showing, seconded by my colleague from Quill Lakes.

HON. MR. BERNTSON: — Mr. Speaker, I move, seconded by the Minister of Supply and Services:

That the motion for return no. 717 be amended as follows: by deleting all the words after 'trip' in subsection (3).

Amendment agreed to.

Motion as amended agreed to.

Return No. 718

MR. LUSNEY moved, seconded by Mr. Lingenfelter, that an order of the assembly do issue for return no. 718 showing:

Regarding the period March 23, 1984 to December 3, 1985: (1) the number of out-of-province trips made by the Minister of Telephones of Saskatchewan; (2) in each case his destination, the purpose of the trip, the name of each person who accompanied him at government expense; and (3) in each case the total cost of the trip separated according to costs incurred for each of the following: (a) air fares; (b) hotels; (c) meals; (d) taxis; (e) gifts; (f) gratuities; (g) entertainment; (h) expenses; (i) miscellaneous.

MR. LUSNEY: — Mr. Speaker, I move that an order of the Assembly do issue for return no. 718 showing, seconded by my colleague, the member for Shaunavon.

HON. MR. BERNTSON: — Mr. Speaker, I move, seconded by the Minister of Supply and Services:

That the motion for return no. 718 be amended as follows: by deleting all the words after 'trip' in subsection (3).

Amendment agreed to.

Motion as amended agreed to.

Return No. 722

MR. KOSKIE moved, seconded by Mr. Lusney, that an order of the Assembly do issue for return no.

722 showing:

Regarding the period March 23, 1984 to December 3, 1985: (1) the number of out-of-province trips made by the Minister of Economic Development and Trade of Saskatchewan; (2) in each case his destination, the purpose of the trip, the name of each person who accompanied him at government expense; and (3) in each case the total cost of the trip separated according to costs incurred for each of the following: (a) air fares; (b) hotels; (c) meals; (d) taxis; (e) gifts; (f) gratuities; (g) entertainment; (h) expenses; (i) miscellaneous.

MR. KOSKIE: — Mr. Speaker, I move that an order of the Assembly do issue for return no. 722 showing, and I want to read this one because it's important. It applies to the Deputy Premier.

Regarding the period March 23, 1984 to December 3, 1985: (1) the number of out-of-province trips made by the Minister of Economic Development and Trade of Saskatchewan; (2) in each case his destination, the purpose of the trip, the name of each person who accompanied him at government expense; and (3) in each case the total cost of the trip separated according to costs incurred for each of the following: air fares, hotels, meals, taxis, gifts, gratuities, entertainment, expenses, and miscellaneous.

Mr. Speaker, I want to say a few words in respect to this motion. And it's fitting that we would, in fact, have a motion dealing with the world traveller of this government, the Deputy Premier, who sets the standards for restraint and reasonableness in travel, and the spending of taxpayers' money. Here has been a man that has moved around every corner of the globe, producing absolutely no results for the taxpayers' money. Here is a man that came into this House when we were able to get what aspect of the detail of his expenditure of a hotel account for \$300 for one evening at the Wilshire in Beverly Hills, California. And he stood in this House, and he said, I couldn't care less whether it was 1,000 or 2,000 a night; I'd still spend it. And here's the Deputy Premier of this province, who has an opportunity to come forward if, in fact he is producing results for the people of this province to dedicate, with decency and dignity, a detail of the expenses. But no, Mr. Speaker, he hides behind his amendment.

Here is a group of people that set up an expectation for the people of this province that they were going to formulate an open government; that they were going to disclose to the people of this province how their tax dollars were spent. Here is a government that once in office, have sent their ministers, back-benchers, MLAs, legislative secretaries, on jaunts across Canada and United States and the world with no accountability.

I say this is a government that has lost its credibility. I think it's the people of the province of Saskatchewan, the taxpayers who are hard-pressed by their administration, who are facing a \$1.5 billion deficit which they have to pay off, and here is the Deputy Premier leading the troops around the world and bringing no results. Here is the arrogance of a government who, only four years ago, offered to the people a new way and openness. And what we have here is one of the most secretive, one of the most mismanaged governments in the history of this province.

I say, Mr. Speaker, that what we are asking for here is the entitlement that every taxpayer has a right to receive: accountability — and particularly with the massiveness of the travels of this government.

Mr. Speaker, for the Deputy Premier to stand up and indicate that he's going to give us the information, but in the form that cannot be dissected is insufficient; and I think is arrogance that the taxpayers of this province will no longer tolerate. And accordingly, I would hope that the deputy minister, the world traveller, the minister without performance, but the minister of world travel, will indeed at least in respect show the way by allowing this motion to stand. And I so move it, seconded by my colleague from Pelly.

HON. MR. BERNTSON: — Mr. Speaker, I move, seconded by the Minister for Supply and Services:

That the motion for return no. 722 be amended as follows: by deleting all the words after 'trip' in subsection (3).

Amendment agreed to on division.

Motion as amended agreed to.

Return No. 723

MR. KOSKIE moved, seconded by Mr. Lusney, that an order of the Assembly do issue for return no. 723 showing:

Regarding the period March 23, 1984 to December 3, 1985: (1) the number of out-of-province trips made by the Minister of Justice of Saskatchewan; (2) in each case his destination, the purpose of the trip, the name of each person who accompanied him at government expense; and (3) in each case the total cost of the trip separated according to costs incurred for each of the following: (a) air fares; (b) hotels; (c) meals; (d) taxis; (e) gifts; (f) gratuities; (g) entertainment; (h) expenses; (i) miscellaneous.

MR. KOSKIE: — Mr. Speaker, I move that an order of the Assembly do issue for a return no. 723 showing, and this is:

Regarding the period March 23, 1984 to December 3, 1985: (1) the number of out-of-province trips made by the Minister of Justice of Saskatchewan; (2) in each case his destination, the purpose of the trip, the name of each person who accompanied him at government expense; and (3) in each case the total cost of the trip separated according to costs incurred for each of the following: (a) air fares; (b) hotels; (c) meals; (d) taxis; (e) gifts; (f) gratuities; (g) entertainment; (h) expenses; (i) miscellaneous.

Mr. Speaker, again here we have a motion asking for detail of information and a breakdown of the costs. And certainly we would expect that the Minister of Justice, if he were in the House, I am sure would want to indicate a fairness of providing this information to the Assembly. Certainly as an old former Liberal, I know the Minister of Justice would take that approach of fairness. But since he's not here, I would imagine that the minister . . .

MR. SPEAKER: — Order, please. It's not allowed in this Chamber to draw attention to who is in the House or who is not in the House, but rather you should be dealing with the subject at hand.

MR. KOSKIE: — Well without referring to anyone being missing, the old former Liberal I know would have, in fact, been prepared to commit himself to the facts that are stated here.

But having regard to the fact that we have only the minister of travel, the Deputy Premier, I expect that again he will refuse to provide the information which the taxpayers are entitled to. Accordingly, Mr. Speaker, I can only say that on behalf of our caucus and on behalf of the taxpayers of this province, we are disappointed with the amount of . . . lack of ability of this government to be open. If they had nothing to hide, why in fact will they not break down the expenses — \$1.2 million is the expenditures by the cabinet over there, a massive amount of money that has been spent in travel by these birds across the way. Birds — good description, because they're always flying.

As I say, they have absolutely refused to provide the information and details. Why wouldn't they? Obviously they don't want . . . They'll give you around figure as to the whole of the entire trip, but they won't give you the breakdown of how luxurious the hotels they stay in, because it may be the \$300 a night that the Deputy Premier used in the Wilshire in Beverly Hills in Hollywood, California.

(1915)

So what I'm saying to you here is that there is a total lack of disclosure of the facts which the people

are entitled to. They won't give the amount for the rooms; they won't give the detail as to how much they spend on entertainment, on booze, entertaining their friends, their gratuities, taxis, and so on.

There's no way that you can come to a total, Mr. Minister, as to the cost of the trip without having the specific details. And the only conclusion that you can come to is that they're hiding something. They don't want the people of Saskatchewan to know how high on the hog they are in fact living. Of course, they're going to have to account for this because the people of Saskatchewan are sick and tired of these birds flying around over their heads, spending their taxpayers' money, while they impose greater taxation on those to pay for their good time.

It has been said, Mr. Speaker, that this party is not here for a long time but for a good time. They won't even give us the details, the breakdown of the expenses while they're having their good time.

I move this resolution, Mr. Speaker.

HON. MR. BERNTSON: — Mr. Speaker, I move, seconded by the Minister of Supply and Services:

That motion for return no. 723 be amended as follows: by deleting all the words after 'trip' in subsection (3).

Amendment agreed to on division.

Motion as amended agreed to.

Return No. 724

MR. KOSKIE moved, seconded by Mr. Lusney, that an order of the Assembly do issue for return no. 724 showing:

Regarding the period March 23, 1984 to December 3, 1985: (1) the number of out-of-province trips made by the Minister of Science and Technology of Saskatchewan; (2) in each case his destination, the purpose of the trip, the name of each person who accompanied him at government expense; and (3) in each case the total cost of the trip separated according to costs incurred for each of the following: (a) air fares; (b) hotels; (c) meals; (d) taxis; (e) gifts; (f) gratuities; (g) entertainment; (h) expenses; (i) miscellaneous.

MR. KOSKIE: — Mr. Speaker, I move that an order of the Assembly do issue for return no. 724 showing. And this, without reading the full details, Mr. Speaker, is a very similar motion. It applies to the Minister of Science and Technology. I can only say that I would hope that the Minister of Science and Technology will indeed handle this motion on his own, not let the Deputy Premier interfere. I know, in dealing with the Minister of Science and Technology, that he is indeed an honourable man, and I have full confidence that he will stand up and support the motion as it exists because I am sure that he has nothing to hide as so many of the others do.

I move this motion, seconded by the member for Pelly.

HON. MR. BERNTSON: — Mr. Speaker, I move, seconded by the Minister of Supply and Services:

That motion for return no. 724 be amended as follows: by deleting all the words after 'trip' in subsection (3).

Amendment agreed to.

Motion as amended agreed to.

Return No. 725

MR. KOSKIE moved, seconded by Mr. Lusney, that an order of the Assembly do issue for return no. 725 showing:

Regarding the period March 23, 1984 to December 3, 1985: (1) the number of out-of-province trips made by the Minister of Advanced Education and Manpower of Saskatchewan; (2) in each case his destination, the purpose of the trip, the name of each person who accompanied him at government expense; and (3) in each case the total cost of the trip separated according to costs incurred for each of the following: (a) air fares; (b) hotels; (c) meals; (d) taxis; (e) gifts; (f) gratuities; (g) entertainment; (h) expenses; (i) miscellaneous.

MR. KOSKIE: — Mr. Speaker, I move that an order of the Assembly do issue for return no. 725 showing.

And this deals, without reading the full motion again, with the Minister of Advanced Education and Manpower of Saskatchewan. I can only say, Mr. Speaker, that obviously the cover-up is being condoned solely and directly by the Deputy Premier, while I know the Hon. Minister of Advanced Education and Manpower would willingly provide us with this information. But in order to cover off the scandal of some of the travelling that has been done by some of the cabinet ministers and back-benchers, that it has to be consistent across the board. I regret that.

What you have done, Mr. Deputy Premier, you have grouped all of your ministers into the collective cover-up, and some of them do not, in fact, have to be covered up. And it's regrettable that a minister of the quality and the integrity of the Minister of Advanced Education and Manpower should be collected in with the rest of you birds.

HON. MR. BERNTSON: — Mr. Speaker, I move, seconded by the Minister of Supply and Services:

That the motion for return no. 725 be amended as follows: by deleting all the words after 'trip' in subsection (3).

Amendment agreed to on division.

Motion as amended agreed to.

GOVERNMENT ORDERS

SECOND READINGS

Bill No. 139 – An Act to amend The Public Health Act (No. 2)

HON. MR. TAYLOR: — Mr. Speaker, I am pleased to explain the purpose of the amendments to The Public Health Act. Mr. Speaker, one of the primary purposes of the Act and its accompanying regulations is obviously to protect the health and safety of the public. From time to time, therefore, it is necessary to modify and update the provisions of the Act and the regulations in order that they can continue to function efficiently and effectively. Most of the amendments being proposed are designed to achieve this objective.

One amendment will provide clear authority to require adequate public washroom facilities in public places. In addition, provisions are being added which will allow many sets of regulations under the Act to be simplified and made more effective. At present these regulations go into lengthy detail regarding required standards for construction and operation of public facilities.

As part of our government's regulatory reform program, we're proposing to replace this approach with one in which the actual regulations incorporate simple licensing scheme while most of the detailed standards are transferred to guide-line manuals.

Mr. Speaker, this change in approach is one that I consider most appropriate. The focus of public health inspection is not on offences and penalties but rather on consultation and guidance. The amendments we are proposing will reinforce and facilitate this positive approach to the regulation of public facilities. However, on very rare occasions, Mr. Speaker, it is necessary for a prosecution to be initiated. The time limit for commencing prosecutions is being raised from the very restrictive period of six months to the more appropriate period of two years.

There is one final aspect of the amendments that I would like to comment on, Mr. Speaker. As part of the general expansion and improvement of ambulance services in the province, a pilot project is being developed using advanced emergency medical assistance. These individuals are completing their training at Wascana Institute and will shortly be ready to begin providing actual services. It is therefore necessary to make provision for the licensing of these individuals and to give them the necessary legal authority to provide services. Since these services are ones which would normally fall within the practice of medicine, it is appropriate that the College of Physicians and Surgeons have close involvement in this matter. The proposed amendments to the Act will accomplish these objectives.

Mr. Speaker, the proposed amendments to The Public Health Act will help to ensure that various aspects of public health and other services are provided in an appropriate and efficient way. I am, therefore, Mr. Speaker, very pleased to move this Bill be given second reading.

MR. LINGENFELTER: — Mr. Speaker, I will take an opportunity to adjourn the debate at this time and read the Bill over and get a little word done on it to see whether or not the minister is trying to slip something by the Assembly and to see whether or not the changes that are coming into place are really what the people who will be using these facilities want. Therefore, I beg leave to adjourn the debate.

Debate adjourned.

COMMITTEE OF THE WHOLE

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

Clause 1 (Continued)

HON. MR. SCHOENHALS: — Mr. Chairman, last night prior to the ringing of division bells and the consequent adjournment, there were a number of points made that I think it is appropriate that I comment on. And after doing that, indicate what has transpired today in regards to this issue, and hopefully we have a resolution that will be satisfactory to everyone concerned.

First of all, the charge was levelled that I had intentionally misled the House. I indicated that was not true. I would like to suggest that a thorough review of *Hansard* would indicate that that was not the case.

The second communication that was received by the officials from Revenue Canada was something I was not aware of. I think it's safe to say that further evidence of that comment is the effect that the member from Shaunavon has that statement in his possession at this time. I'm sure that I may not be the brightest person in the world, but had I known that there was a second communication, I would have taken much more time and been much more careful in discerning what I sent across the floor to the member from Shaunavon. So I think that the question of misleading the House can be put to rest.

The second charge had to do with the level of ability of the officials that have been advising Saskoil on this issue. I think there are two separate issues here. One would be the question of the advice that we received on the need to require 50,000 shares be placed in the executive stock option. The subsequent correspondence, which I've just referred to, indicated that Revenue Canada was, in fact, prepared to consider a lower number.

So it could, I suppose be argued that the advice we got was not the best. However, I am completely satisfied that the advice that was provided to Saskoil was based on the expertise of the financial and legal counsel that the Corporation had retained, that it was a reasonable number, and in fact had had the approval of federal revenue.

The second point that was made in terms of the competence of the officials was whether or not they had bothered to inform me of the second correspondence. Again a judgmental question. I would suggest that they believed that, since there was no number established that federal revenue was in fact prepared to accept, they felt that the correspondence did not add anything particularly meaningful to the debate. They recognized of course that there was never any intention, nor would there have been any profits realized by the various executives that are named in the share option clause.

(1930)

However, with that as background and after considering all the events that took place last night, after becoming aware of the letter which my learned colleague happened to become aware of before I had, I arranged for my advisers to get in touch with the officials of Revenue Canada in Ottawa and to determine if reduction of the share option to a very minimal number would be acceptable. In discussing it with them, we started at the five shares. That was the number, I believe, that the member opposite indicated that is an aggregate number, that being one for each of the members, each of the senior officers.

Of course, the objective of the option in the . . . that would meet the objective of the clause in this case. We have received confirmation now that in fact that would be acceptable and are prepared to amend the prospectus to indicate a five share number in place of the 50,000 that appears in the prospectus. The intention of course has always been that the five executive members would not realize any significant, any profit from the clause, and having the number lower is certainly not a problem. And hopefully that will resolve the issue that caused the problem last night, and we can get on with the rest of the debate on the Bill.

MR. LINGENFELTER: — The minister has indicated that the amendment or the change that was requested by the opposition for the last couple of days is, in fact, in order, and in checking with accountants and legal people in the last 24 hours since we left off of this topic, that was their opinion as well. In fact, they indicated that one share would have been enough. But we won't quibble over whether it's one or five. The idea is that the principle has to be there that some profit can be realized. And the principle is: it doesn't 'matter whether it's the profit on one share or 50,00 or 100,000, and I'm glad that we finally came to the bottom of the issue after many days of argument.

The other thing that I would say, sir, is that all of the arguments you made about we holding up the committee — holding up the committee and wasting the time of the committee — had you come clean with us from day one and checked this out, because we were suspect of the information that you were giving the day we heard it — it took us 24 hours to confirm at our own expense — that, in fact, this issue could have been solved many days ago. I'm glad that you found out that we could save the taxpayers a great deal of money, possibly save them a great deal of money, and we won't argue about how much if the shares went up \$2, or \$5, or \$10. The public will be well aware, for example, if they went up \$10 a share, how much money they will have saved. You can go on to say that there was no intention of the officers exercising that option.

But the other thing that I would ask you then is: who requested the \$50,000 in the first place? Who requested that 50,000 be the number, because I think that is a very interesting number and one that we should get to the bottom of.

HON. MR. SCHOENHALS: — As I indicated, Mr. Speaker, the request was made by Saskoil through their legal and financial advisers. It was based on the best advice of those people. They indicated that past history would indicate that that was a number that Revenue Canada would be prepared to

accept. In fact, Revenue Canada did accept that. And of course realizing that the intention was not that any profit be realized from this clause in the prospectus, we went ahead and applied for that particular level. That has now been determined that we are very satisfied with the lower number, and we're prepared to go with it in that form.

MR. LINGENFELTER: — Then, in fact, the very people who we think could have benefited from the 50,000 share option were the people who suggested it. Is that not accurate?

HON. MR. SCHOENHALS: — Now let me make it very clear that the request came from the financial advisers, in this case, Wood Gundy, in consultation with the legal advisers. I have said many times that the people whose names appear, the five top executives, have nothing to do with the pricing and had nothing to do with this request. It was done through the financial advisers, and I believe that's a normal course of events, and if the member in fact was in communication with a number of accountants and investment people, I'm sure he's aware of that. I hope he is.

MR. LINGENFELTER: — Well, Mr. Minister, it seems interesting if Wood Gundy were the people who were doing the negotiating or making the request that all of the documents that you sent over to us weren't from Wood Gundy, or between Wood Gundy and the taxation department, but in fact were between Saskoil or Clarkson Gordon and the taxation department. And it seems hard to believe, it seems hard to believe that in fact your story, that Wood Gundy was making the suggestion and doing the negotiating with the tax department, is accurate. Because the letter that went by electric mail last Friday and was returned by electric mail wasn't between Wood Gundy and the taxation department, it was between Clarkson Gordon and the taxation branch. And that is a little hard to believe, that Wood Gundy was the group doing the negotiating, and I wonder if you could clarify that for the committee.

HON. MR. SCHOENHALS: — Well, I'll apologize if I have tended to confuse the issue. I indicated in my previous answer, I believe, that Saskoil's financial advisers, financial advisers and legal advisers — that includes Wood Gundy as the underwriters, includes Clarkson Gordon as our accounting firm, and includes our legal folks — they made a request, determined what number would be realistic, and the communications took place between our financial advisers, Clarkson Gordon. And I certainly didn't mean to indicate that Wood Gundy did it all themselves; there was the legal and the two financial groups that collaborated on determining what the reasonable number was.

MR. SHILLINGTON: — Mr. Minister, we have been given . . . It is regrettable that we have come to this state of affairs. We have got so many different versions and so many different yarns from you that this side of the House really doesn't have a lot of confidence in what you're telling us any more, and that is a regrettable state of affairs. That's the case.

Mr. Minister, it is just not credible to suggest that Wood Gundy gave you any significant amount of advice with respect to the way that this company should be chartered. They are not lawyers. Their business is selling shares, not providing legal advice.

Mr. Minister, I believe that the decisions with respect to how the company was to be structured would have come from the accounting firm of Clarkson Gordon and a law firm. I think Wood Gundy would have been asked to pass approval on the system from the point of view of marketing the securities. I do not believe they would design it. I think that that just is not credible, Mr. Minister. I ask you, Mr. Minister . . . I'll let you get your advice. You sorely need it. Mr. Minister, I ask you if you still have confidence in those officials, having put this House through the circus it has been through the last few days. I ask you whether or not you still have confidence in the people who have made such a jackass out of the legislative process.

HON. MR. SCHOENHALS: — Mr. Chairman, I don't think in my answer I said anything that was significantly different than what the member for Regina Centre said. I indicated that our financial advisers and our legal advisers and suggested that Clarkson Gordon; our legal folks, MacPherson Leslie and Tyerman; and the firm of Wood Gundy, who are the underwriters, worked together to

determine what the request should be. Clarkson Gordon did the negotiating. No argument with that.

In terms of whether in fact I have confidence in the officials, I would indicate to you, yes, I do. It is possibly unfortunate they do not have any experience in this forum. This is obviously a different type of debate that gets beyond the rational and into the political very quickly. I think that we can excuse them for that. They are extremely competent and I suppose, as was indicated, in terms of accounting, after Clarkson Gordon where do you go?

MR. SHILLINGTON: — I do not wish to get, at this point in time, into the question of the competency of your officials. That is not our system. Our system is, Mr. Minister, that you take responsibility in this forum, and you deal with your officials as you may see fit. Mr. Minister you are now telling us what I think was obvious to anyone who has any familiarity with floating new issues, with new issues which are floated on the market, and that is that the structure of the company is by and large a decision of the law firm and the accounting firm involved if the corporation does not have that in-house expertise.

Mr. Minister, I rise to complain that that is not what you told us. You told us very specifically the reason why you were going with 50,000 shares was because you had got that decree in some sort of a papal bull from Wood Gundy about a month ago. And that is what you said, Mr. Minister. You said that had been dictated to you by Wood Gundy. At the time, Mr. Minister, we said nonsense. And you said, 'tis so. So I say to you, Mr. Minister, that you have led this Legislative Assembly on a very merry circus. And I think you have brought this whole system into disrepute, and I am most upset with you, Mr. Minister. I am most upset for what has happened in this House over the last couple of days.

(1945)

Mr. Minister, you knew for weeks that you had to bring this Bill through the House. You should have known that it was a complex piece of legislation that involved significant question and issues of interest to the public. Anything which involves the transfer of \$500 million in assets from the public to private sector is obviously something, Mr. Minister, worth some political questions. I do define a political question as a question of interest to the public.

Mr. Minister, you've known this for weeks. You didn't take time to read the prospectus. You did not take time to inform yourself. You didn't know the most elementary details about this proposal. You came in cocksure and arrogant, ill-informed; and the problems which have resulted in this House are a direct result of your failure to inform yourself and deal with these issues ahead of time.

If there is any blame to be laid at the door of your officials, as I say that is not our responsibility. If there's any blame to be laid at their door it is to be laid at your door, since ultimately you are the person responsible. It was you who did not take time to inform yourself of the options. It is you who did not take time to read the prospectus. It is you who did not have enough interest in this issue to inform yourself of even the most elementary details.

So I say, Mr. Minister, that you have proved yourself to be grossly incompetent, demonstrably so. And if you're not embarrassed over these proceedings, then by golly, you're a hard person to embarrass.

HON. MR. SCHOENHALS: — Mr. Chairman, I am really not particularly interested in the member opposite's comments on my competence or capabilities. I'll stand on my performance.

He indicated that somehow I have misled the House again by indicating that Wood Gundy had provided this advice, and not our financial and legal team, which is comprised, as I have said a number of times, of the three groups.

I have in front of me last night's *Hansard*, page 4070. I can only . . . I see in the term, 'our advisers,' 'they advised,' 'our advisers,' again. Over on the next page I see, 'my officials.' Nowhere do I see anything to substantiate the claim that the member opposite has made in leading to his conclusion.

Possibly if he has some direct evidence from *Hansard* that what he says is true, I will consider his statements. But until then, Mr. Speaker, I'll just choose to disagree.

MR. SHILLINGTON: — Mr. Minister, you said it last week. Every time we asked you, every time we asked you about these events we got a different version of these events.

We have every right in this Assembly to stand here and complain about your performance. We have every right in the world to do it. And so do members of your caucus who must be embarrassed by the turn of events, Mr. Minister.

Mr. Minister, will you now admit what I think is obvious to everyone, and that is the procedure of using options to gain a taxable status, if I can use that as a general phrase, was but one of a number of methods by which you might have obtained the taxable status you sought?

HON. MR. SCHOENHALS: — Mr. Chairman, to the member there, there were in fact two ways to realize our objective in the timing sequence that we needed. Of course the objective was (1) to have the corporation taxable; and (2) was to maximize the tax benefits. And that's an important comment.

The two methods would be to sell 10 per cent of the equity value of the corporation — there was not time to carry that out, so that one was eliminated. That left the option process which we have discussed in some detail here. And consequently, that was the one that was chosen.

MR. SHILLINGTON: — Why couldn't you have simply relied on the former one? Why couldn't you have simply . . . you're selling 40 per cent anyway. Why couldn't you have simply sold the 40 per cent of the shares, offered them for sale?

HON. MR. SCHOENHALS: — Once again, Mr. Chairman, I will direct the member's attention to that paragraph that we have discussed many times, the second full paragraph on page 32.

But in layman's language, which in this legal jungle we're in is the only language I have at my disposal, we could not sell shares obviously until the final prospectus was filed.

The final prospectus could not be filed until we had the successor provisions in place, which is the ability to bring forward those tax pools which we have talked about a number of times, the 300 million plus, since that was obviously of significant importance to the corporation. The only mechanism that fit in the timing sequence we had at our disposal was in fact the share option process which has been under discussion.

MR. SHILLINGTON: — Well, assuming the accuracy of what you say — and that takes a considerable leap of faith — but assuming the accuracy of what you say, all you have said is that you didn't get started on this project in time to get it completed on time. That's all you've really said. If you'd started on this project some weeks or months earlier, you could have had the whole issue completed by simply issuing the shares and selling them on the market.

Mr. Minister, I gain the distinct impression that you're not explaining the reason in anything like understandable terms because I rather get the impression you don't understand yourself why the option method was chosen.

HON. MR. SCHOENHALS: — Well, Mr. Chairman, I can only say to my learned and legal friend that no matter when we started, the sequence of events would not change. You cannot sell shares before you file the final prospectus — and I make the significant difference between preliminary and final. You cannot file the final prospectus until you have the corporation in the taxable form and consequently the successor provisions which provide for the bringing forward of the tax credits in place. Timing of the start does not change the sequence of events.

MR. SHILLINGTON: — Well, Mr. Minister, we also obtained advice on this matter when

yesterday's rather shocking revelation occurred. Our information was that there are a number of other ways to have accomplished precisely what you accomplished.

I think, Mr. Minister, that you just simply never applied your political judgement to what was happening. I think that's why we have spent a week on this Bill, is that you simply never applied your political judgement to the method which your officials chose, for whatever reason they happened to choose it.

Perhaps to be charitable, and this may be accurate, perhaps they simply chose a model that is often used in the private sector. And while that may be appropriate in the private sector, to give share options to executives, it is quite inappropriate in the public sector.

Our information, Mr. Minister, is there are alternatives which are every bit as viable as the one you chose. I think you chose this because you simply aren't doing your job. I think the first time you gave any real consideration to those options was when the matter was raised in the House. I do not believe, Mr. Minister, that you took time to ask your officials to find another alternative, because if they had, our information is they could have found another alternative.

HON. MR. SCHOENHALS: — Well, Mr. Chairman, as I indicated in my previous answer we had two objectives: one was to have the corporation taxable for the amalgamation, as we indicated; the second one was to maximize the tax benefits to Saskoil. We are not aware of any other method that would have accomplished those two objectives. Possibly if the member has another method he would like to explain to the committee, we will give it some consideration. The fact of the matter is we believe in order to accomplish the two things, within the sequencing restraints we had, this was the only option.

MR. KOSKIE: — Mr. Minister, for a number of days we have been discussing with you the proposal of 50,000 shares option. For a number of days you stood in this House and you referred to the prospectus on page 32, the second paragraph, and you said that it had to be 50,000 because that's the advice that you received. That's what you said, and you stuck by it.

And finally, Mr. Minister, you sent over to our side, information — information which confirmed, and which your officials had, and which we obtained inadvertently because you sent it over to us. I don't suppose it was supposed to be attached to the original document which in fact said that you could reduce the 50,000.

Mr. Minister, it's really a question of credibility. Here you are converting a Crown corporation into a private corporation and you're expecting the people of Saskatchewan to have confidence and to invest in this corporation, this privatized corporation. What I'm saying to you, Mr. Minister: how could any of the public have confidence in you directing this transfer into a private company when you don't even know the details, nor did you look at the aspect of whether or not you needed 50,000? You admit it.

You had a document in your hand which you didn't even read. And you come into the House tonight in a pious way and say, well I'm sorry I misled the House . . . (inaudible interjection) . . . Well you did, because you said it had to be 50,000. You said, well I didn't inform myself. I didn't inform myself. I'm sorry. My officials are here. They gave me a document. And you tried to blame it onto your officials. I think it's an impossible task for any officials to brief you on the magnitude of what we're doing here in privatizing the Crown corporation. I think it's beyond your grasp, Mr. Minister. And I doubt if the people of Saskatchewan will have any confidence in you.

(2000)

We dealt with another section — my colleague did. And he says: how many shares is the government going to have? And you know, you have right in within the provision of the Bill that all it provides for is 100 shares, paid-up common shares, for Crown investments corporation. And it doesn't provide that you convert the other \$145,400,100 into common shares. And you said, yes, it

does. But again, you're wrong, and you had to admit it.

Every step that we have taken, Mr. Minister, you have demonstrated an incapacity to understand, to inform yourself, and I doubt if you know exactly what you're doing. Perhaps some of your supporters, your financial boys that pay your fees to get you elected, are telling you what to do. But as far as being able to direct this through the House, Mr. Minister, your performance has been a dismal disgrace. To call you the Minister of Energy and Mines, putting through the House a transaction of \$500 million, of jeopardizing what the people and the taxpayers own, and you don't even know that you have to give an option of 50,000 which could grossly enrich those who get the option, and that you could really, in fact, have only had one share issued and achieved the same magnitude of effect. And you didn't know that. And for four days you hung your hat on your statement in your prospectus. And you had all of your officials there.

And I'll tell you, we checked it out, and overnight we confirmed that all you needed was to have one. And yesterday you said it had to be a reasonable amount; it's got to be legitimate; they'll never accept one or five for the executive. That was your position, and you had all your advisers around you.

Now today, you come in and say, well five is okay; I'm sorry but I checked it out and five is okay. And so what I'm asking you, Mr. Minister, in light of the fact that you have demonstrated a total incapacity to know what you're doing, or an arrogance that you don't think that you have to provide information to this House, all I can say to you that basically you have been misleading the House in your arrogance or your neglect. And I think that the people of Saskatchewan that have watched the debate on this Bill will be wondering very seriously whether you are the person that should be heading up the transfer of a \$500 million asset and privatizing it, whether in fact you can really look after their interests even if it's reduced to 60 per cent. Because I say, in this Bill here, you don't even look after their interests, because they have a 145 million-plus equity. And you say that what you can do is to loan the 145 million to this privatized company with no interest — the taxpayers' equity. You say you can.

And so I ask you, Mr. Minister. In light of your inability either to understand or take the time to know what you're talking about or to get proper advisers, I think it's very difficult for the people to have any confidence in what you're doing here, because your performance has been bad. I mean, can you ever feature a minister coming into the House, handing to the opposition a document which totally contradicts an answer that he's giving off the first document, and a second document is attached to it which completely contradicts the very position that he's putting forward in the House? That's the position that you gave us yesterday. You gave us two documents, one supporting your position of saying you had to go with 50,000 shares as an option, and the document underneath, and the very document underneath which surprised you that we had it, indicated that in fact it could be reduced. And we're going to stand here in this House and encourage people that this is a good deal with you at the helm?

Mr. Minister, I think that, as I said, this has probably been the worst performance that I've ever seen of a major transaction. And I can only say to you that we're not discussing the merits of what you're doing. We're discussing whether you know what you're doing and whether the people of Saskatchewan, who are intending to invest in this corporation, should indeed have confidence in you.

And so I ask you, Mr. Minister: how can you come into this House and simply excuse yourself as not having read a document, giving us a position which is totally contradictory to the one you have in the document that you haven't read, and expect us to believe any of your subsequent answers? I mean, you didn't inform yourself, Mr. Minister. In your position, I would think that any honourable minister would have pulled the bill. You are so far down in being able to defend what you're attempting to do here, you have so little knowledge that you have demonstrated, that I think it's reasonable if you had any feelings at all, any respect for the people, demonstrating your lack of knowledge of it, that you would in fact pull the Bill.

Give yourself some time to know what you're doing, or is this really just a desperate attempt, knowing that you only have another four to six months to run and you've got to get the show on the road, because some of the boys have told you you've got to get it on the road or no funds for the next campaign. Maybe that's your haste.

But I'll tell you, your demonstration in this House, Mr. Minister, is going to decrease the confidence of a lot of people in this province in investing, because you have demonstrated you don't know what's going on. You didn't know what was going on in respect to the share options. You don't know what's going on in the Bill, and we raised it, and you said, gosh, but trust me with 145 million bucks. And then finally you came back and said, well maybe I can change that for you and put in shall convert it into shares.

And I say to you, Mr. Minister, you have really been a dismal failure. And the phone calls that we are getting and asking us to continue this debate in order that the public of Saskatchewan can be better informed as to what's behind the basis of this transaction.

And so I ask you, Mr. Minister, in light of the happenings of last night, in light of the debate that has taken place in respect to the issuing of 50,000 shares to your senior executives, in light of the fact that you defended it for four and one-half days, and in light of the fact that a document which you didn't even take time to read or ask your officials to inform you, in light of the fact that you have now totally taken the position that we have initiated in this House that it could be only one share to do what you wanted, Mr. Minister, do you agree that your lack of knowledge in fact gives the people of this province a lot to consider, whether or not they should invest in this corporation with you at the helm?

HON. MR. SCHOENHALS: — Mr. Speaker, I think the simple answer is no. But I would suggest to the hon. member that there is a very simple acid test to what he suggests. Let's get into clause by clause. Let's get the Bill passed, and we will see if the people of the province are prepared in fact to invest in this corporation.

However, there are couple of points that should be made in that comment, if you will. He indicates, and I think if he checks carefully, he will find out that I have always said the reason that 50,000 was the number is because that was what we had approval for. My argument in that has never waived until today; we did not have federal revenue approval for any number other than 50,000. And as I indicated, the second document, in the opinion of the people here and I think in reasonable opinion, was not relevant. And I've indicated besides, numerous times, that there would not be any windfall profits. In terms of what I said regarding the number of shares that the government would hold, I will direct the member's attention to *Hansard*, 3921, for his enlightenment, December 4, 1985, and it says, in answer to the question on the number of shares:

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

The number of shares that the government owns, and I think that is considerably in contrast to the comments made by the member.

I would suggest that if the member from Quill Lakes is going to continue with these ringing endorsements of my ability, he should at least take the time to read *Hansard* and relate himself with what was actually said and not infer comments that were never made.

As well, I am advised that if the members can table legal advice that some legal people are prepared to say that they would recommend somebody proceed in attempting to acquire a share option as we have with one option per executive, we would be very interested to see that document. I would suggest that if you have such legal advice, it would be something that we'd like to see tabled.

MR. KOSKIE: — Mr. Minister, when you saw in the prospectus that there was 50,000 shares being offered to the five senior executives, did it not cross your mind to inquire whether there were other options that you could have reduced it? Did you, in fact, raise that with your officials at that time?

HON. MR. SCHOENHALS: — I think, as I have indicated several times in this Chamber, the key element in that discussion was whether or not there would be any profit realized by those senior executives. As I've indicated there was not going to be any profit realized. Consequently it was, and as I've indicated as well, that was the mechanism we had at our disposal considering the two options and the timing that we had in place.

MR. KOSKIE: — If senior executives have the options, and that's what the prospectus says, that they would have had 50,000 shares as an option, these five senior executives, and you keep saying that there would be nothing realized, no profit made, how do you come to that conclusion? That categorically and unequivocally that there could, in fact, not be profit made in respect to the taking up of the options on those shares? You tell me how.

(2015)

HON. MR. SCHOENHALS: — Mr. Chairman, I think the answer to the question is that there would obviously be no profit of any kind until the options were exercised. I will let the member go from there.

MR. KOSKIE: — Well, that is a revelation that must have taken your advisers quite a while to give you because I could doubt very much if that's the advice they gave you. You're aren't serious, are you, Mr. Minister? Do you want to have another try at that?

The question that I asked you is: if, in fact, we went with the prospectus, whereby the 50,000 shares was the option to the five senior executives, and you said, no problem, I can tell you, couldn't possibly make any money at it. And then you came back and said, you know, they couldn't make any money unless they took up the option. Well, they would be fools not to take up the option if they could make money. That's what's in the prospectus. Not to lay out a single cent, have an option, and if the price goes up, exercise the option, and you're home free.

So what I'm asking you then, Mr. Minister, could you give that another try, just for this side which I know takes a little extra time to get answers out of you. We took five days to decide that you didn't need 50,000, but could you clarify again why there is no potential for profit?

HON. MR. SCHOENHALS: — Mr. Chairman, as I have indicated a number of times, the sole purpose for including the clause was to allow the corporation to bring forward the \$300 million plus of tax benefits. It was not my expectation, shall I say, that any profits would be realized, because it was not my expectation that the executive members would take advantage of the option.

However, I think the whole line of questioning is basically irrelevant. I indicated in my initial statement this evening that we had an approval of a lower number which is excellent, in our opinion. That number is the number that the member for Shaunavon suggested last night, one share per executive for a total of five, and we are prepared to amend the prospectus to indicate that number.

MR. KOSKIE: — Well I'm pleased that the minister gave it another run, and I'm particularly pleased to hear him say that his expectations were . . . Now isn't that nice, that the minister has an expectation. No legal curtailment. No reduction of shares until the opposition pounded you into the ground, and all that you can say that you put into the prospectus 50,000 shares with an option with a significant prospect of a substantial gain, and all that you can say is my expectations were not.

So what I am saying that this debate has been well worth while, because what we have done is not left it to the expectations of the minister as to whether there will be windfall profits or potential. Don't leave it to his expectations. What we did in fact is reduce it down to five shares and exactly what my colleague from Shaunavon suggested last night — five shares, one per executive.

I guess the public has to wonder what's really going on in the formation of this company. Is there some hanky-panky going on? How is the public going to perceive or believe that here is a minister that brought in a prospectus which allowed 50,000 shares, and he defended it initially by saying, well this is normal in the industry and it helps to compensate those hard-working executives. And he said, look at their rates of pay relative to the rest of the industry. And he said, it's very small, so there's nothing wrong with that. That's standard practice.

Then he changed. Then he said, that's true, he said, but my expectation is that there's going to be no profit. We need it for another reason, and that's on second paragraph of page 32 of the prospectus. And now when we hammer a bit more, it comes down to five shares.

But let's just look at his arguments leading up to five shares. Last night when my colleague mentioned that, he says, well come on, he says, we've got to be reasonable. It's got to be legitimate. Five shares, he says, you couldn't get that through Revenue Canada. And today he comes back, exactly what we had previously had to research out, and you had to change it to what my colleague indicated because he had the facts.

And so what I'm saying to you, Mr. Minister, your performance here leads the public to believe that there's a fair amount of hanky-panky going on. A lot of people are wondering, can you be trusted in handling the assets of this corporation. Are there going to be some people who are enriched by windfall profits? And I'll say that I think that a significant area that we have cited here indicates that.

And it's unfortunate, Mr. Minister, because you could have informed yourself, and you could have come here and been serious and straightforward with us instead of attempting to take it very jocular and lightly. All I can say to you is that I think on your performance that you're going to have trouble in the disposition of your shares by the lack of confidence and the potential that you have set up here so carelessly for the potential of a very significant windfall profit.

And so I'd expect, Mr. Minister, that as we move some of the amendments that we will be proposing to further safeguard the public in the transaction, that you will in fact agree with them.

HON. MR. SCHOENHALS: — Mr. Chairman, I can only suggest to the member that in this entire debate, I have attempted to be as serious and straightforward as it's possible to be. I would challenge him to demonstrate anywhere in *Hansard* where my discussion has not been honest and straightforward.

I would suggest that there are questions in the public's mind, very significant questions, and they have to do with the tactics of the opposition in terms of stalling this Bill. And if in fact, Mr. Chairman, we have made a mistake on this side it was in providing the issue that led to the ringing of the bells last night which fit in with the tactics of the opposition. I believe that the member opposite suggests that we will have problems with the disposition. As I indicated earlier in the discussion this evening, there's a very simple test to that. Let's get on to the clause by clause. Let's determine what the people do, in fact, think of this offering and let's see who's right on this question.

MR. ENGEL: — Thank you, Mr. Chairman. Mr. Minister, we've been very, very concerned about windfall profits for five executives. Tonight you have the nerve — after you came out and suggested that five shares is sufficient — tonight you stand up and say the only mistake you made is gave us that letter that changed it. What kind of a deal did you have with your officials on those shares that they wouldn't make a windfall profit? Were you buying them on behalf of yourself, or what kind of deal did you have? Because you can stand up and say the only mistake you made is that letter was attached and we happened to get it. That's what you said. That's the only mistake you made.

Well I want to tell you, for four days I listened. Yesterday I finally tried to get into this debate. And, Mr. Minister, you're saying that we held up the Bill. I want to say that you've lowered the debate in this House to the lowest level I've seen since 1971. Never in my day have I seen a minister conduct himself like you that when he was finally found out, he'd stand up and say the only mistake he made

is that we got the information. Well I want to tell you, Mr. Minister, the only mistake that's made in this House is that you're still here piloting a Bill when you've lost the respect of the House. You've not only lost the respect of this House; you've lost the respect of all the people of Saskatchewan that have been watching you.

HON. MR. SCHOENHALS: — Mr. Chairman, once again, a misquote. I indicated that the mistake we made was in giving you an issue. We did, in fact, do that. There's no question. I am not prepared to accept the suggestions from the member who just spoke that I have lowered the debate to any level he's never seen. That is an art that he has perfected, and I've watched in recent years. I'm not prepared to accept that comment from him. He's the master of lowering debate.

MR. LINGENFELTER: — Mr. Speaker, I just want to make one point and that is that the minister in coming into the House tonight, we had hoped would be taking a new approach to this Bill — one of co-operation and giving of information. We were suspect of whether or not we would be able to deal with he and his officials going through this Bill because, as he says, we really haven't started clause by clause.

Over the last three days you've refused to give us information. When you did give us information it wasn't accurate. You say it was an accident that it wasn't accurate. The public will decide and I don't think we're going to quibble over whether it was an accident or whether you knew and didn't give us the information or whether your officials neglected to inform you when we asked for three hours about this issue. You're saying they sat there with this letter and didn't inform you. I mean, that says something else. But I say to you, for you to say to the committee that, my one mistake . . . And I thought the *Leader-Post* had made a mistake when they said:

Schoenhals said he have known about the letter that was inadvertently given to the NDP, but his staff thought little of it because they didn't think it was 'relevant to the discussion.'

I thought they had made a mistake. But, obviously, what we are seeing here is a minister who is incompetent, and I would question whether or not it's the staff who isn't giving you the information. But I choose to think that they are giving you the information and you're not giving it to the committee. I think that's what's happening.

I choose to believe that they had read the letter and had informed you and that you had refused to give the information that less than 50 shares would be accepted and, of course, any number less than 50,000 would have been accepted, as I believe you knew.

(2030)

I can't believe that a minister would come into the Assembly with a prospectus that says 50,000 share option and not have said to his officials, look, this is going to cause a problem because this is an advantage that other people in the province don't have, and do you think it could be a lesser number? I just find that hard to believe that you didn't ask that question. And I suppose I will put that to you. When you were studying the prospectus and reading it over at the many town hall meetings, did you not take the time to turn to one of your officials and say, is there any way we can get that number reduced because it simply isn't going to be accepted by the public and by the committee that I have to take the Bill through?

HON. MR. SCHOENHALS: — Mr. Speaker, I think the point that the member wants to quibble with, the word 'relevant' . . . The point that the officials have made was that the communication from federal revenue was not detailed enough to make any difference in the discussion. As I have indicated there was not going to be any profit, windfall or otherwise, from 50,000 shares or from five shares. So once again until we had the determination . . . As I indicated, and as you indicated, the public will in fact determine what their opinion is of this Bill and this share offering which will flow from it.

MR. LINGENFELTER: — Well, Mr. Chairman, and Mr. Minister, I'm not going to dwell a long time on the 50,000 share option. You can say that we shouldn't have brought it up, but I can tell you that there are many people in the province tonight who are saying that they are happy that we brought up the issue and got it solved, because we now have it reduced by 49,995 shares less that somebody will be able to take advantage of and making a profit on without taking any risk. And that's a fair principle, that when you're talking about a free enterprise system and taking risks, that the people at the top at least take some of the same risks that the people who are investing in one share or two shares are taking. And I think it's a very important principle, and I'm glad that my colleagues and you, sir, have seen fit to change it.

I want to turn now to the next item on page 31 in the prospectus and that is the employee unit purchase plan. And if you would just outline how that program is going to work, who is eligible, and what kind of money you think that will cost to set that little plan in place.

HON. MR. SCHOENHALS: — Mr. Chairman, the intent of the employee purchase plan is to encourage employees of Saskoil to take part in the ownership of the company. I think that's a reasonable indication. The employees were some of the leading purchasers of the bonds, the performance bonds that were issued a while back. In terms of the details, all employees of the corporation are eligible. The amount that they are allowed to spend or to purchase is either \$10,000 or 25 per cent of annual salary, whichever is less. The company will loan the employees the money interest free against future salary, and the shares will be purchased at market value. I think those are the pertinent elements of that proposal.

MR. LINGENFELTER: — The other question . . . Well actually there's two questions that I would have. One, when you say there will be a loan, the company will lend the money; what company are you referring to and what will be the interest rate that will be applied to the loan that's being made to them up to a maximum of \$10,000, as I understand your previous statement?

HON. MR. SCHOENHALS: — Saskoil will loan the purchase price to the employee. The employee will pay no interest. Saskoil will finance the plan, in all likelihood out of generated cash flow.

MR. LINGENFELTER: — Just let me get that straight. The loan will be . . . What kind of a term can they get that for? Like you say, for \$10,000 for each of the 259 employees, it will be then an interest-free loan of about \$2.6 million. Is that accurate?

HON. MR. SCHOENHALS: — Mr. Chairman, I would direct the member's attention to page 31, the last sentence of the employee unit purchase plan paragraph, which says very clearly the assistance provided will be interest free, will be repayable in full in one year. And obviously this is a one-time offer pertinent to this issue. And I think if there are more details, I'll try to provide them. I hope that answers the question.

MR. LINGENFELTER: — The one other thing — and I don't want to be repetitious, and I hope you don't take it that way — but I missed the percentage of the employees' annual salary that will apply here.

HON. MR. SCHOENHALS: — Twenty-five per cent, so they will have the lower of \$10,000 or 25 per cent that they may use to purchase shares one time, and they repay the money, interest free, within a year.

MR. LINGENFELTER: — What is the maximum loan that could be made? Can you do a calculation and do me that number?

HON. MR. SCHOENHALS: — Mr. Chairman, that requires a little detail in terms of the salary levels of the employees. Our official is going to bring it down. If you'd like to go on, we'll respond to that momentarily.

Of course, the reason that it is in the prospectus is so potential investors will understand exactly what

the proposal is.

MR. KOSKIE: — Just following up on the area, I was wondering, Mr. Minister, what would be the rationale of allowing Saskoil employees and subsidizing a loan to them, interest free, something like 2 or \$3 million . . . What is the rationale of putting yet another group of people . . . First you gave the executive officers in Saskoil a potential of a windfall profit. Now we come down into the next section, and yet there is another group.

It's as though the executive officers and the employees somehow own this, and have a right — a special right — to have some action in the purchase of shares.

And so what I'm asking you is: what is so special about the employees of Saskoil that they should have an employee unit purchase plan just for the employees of Saskoil?

What about all the other citizens of Saskatchewan? They aren't going to be given an interest-free loan up to 25 per cent of their income, or \$10,000. What is so special about the employees and the senior executive officers? At first you give them an option of 50,000 shares, and now to the employees you say well, we're going to give them a little benefit, too. Why do they get preferential treatment over and above citizens in this province?

HON. MR. SCHOENHALS: — Mr. Chairman, obviously the intent is to provide a motivation factor, if you will, to the employees of Saskoil. If, in fact, the employees have a definite interest beyond the fact that they are employed there and seeing the corporation do well, we would expect productivity improvements, for instance. And I think that's reasonable, I think that the reason it is in the prospectus is so investors will clearly understand, and I would suggest that an investor looking at that proposal would be comforted by that, that to have the employees as shareholders, as owners of a corporation, is a relatively sound proposition.

I would suggest that members of government, who in your opinion represent all the people in the province . . . People would take considerable comfort that the employees were prepared to put some of their money, grant a loan to them if they choose to exercise this option into shares, would take an ownership position in the corporation and would consequently assess their performance possibly differently than they would had they not taken that opportunity. But once again, the reason that it is listed is so investors can look at that, determine if that's a realistic and positive step, and make a rational decision based on that determination.

MR. KOSKIE: — Mr. Minister, we have been indicating to you that about 90,000 people, or 90 per cent rather, of the people of this province are likely not going to be able to, in fact, afford a major investment in this corporation. And here you come along and what in effect you're doing without saying it, by subsidizing the interest of the employees, is you're saying that they are going to be able to buy their shares cheaper than the average citizen in Saskatchewan. And you say, you know, give them a few, subsidize them buying some shares and they'll have a real incentive; about a dollar a share that comes to that you're subsidizing down. So they're paying about eight bucks a share for common shares and the ordinary citizens of this province get no benefit.

So what I'm saying to you, the intrigue continues. First of all you set it up, well, you're going to give your senior executives some incentive to work in this here private corporation because they weren't getting enough at \$100,000. So you gave them an option of 50,000 shares. And suddenly we destroyed that myth.

(2045)

And now what you have done is said, well there's another little group that works. There's 359 employees. And what we're going to do is give them a special privilege also. How many more friends of yours are going to get privileges along the way? That's the question that the people of Saskatchewan are asking. What hanky-panky is going on in the setting up of this corporation? First to the senior executives, now to the employees, they get a handout over and above the rest of the

citizens of this province. I say, Mr. Minister, your approach to it has been unfair, and the people of Saskatchewan are starting to understand it.

And I don't think it is fair, and I'd like your justification of why it's fair. Why not all government employees? Why just a select few? You talk about incentive. Why don't you give everybody an incentive to invest the same way as you're giving it to them? A lot of people, about 90 per cent of the people don't have an opportunity to buy them, but oh, yeah, well we'll give it to the executive and to the employees. Better that we can control them. I think it's unfair, Mr. Minister, and you haven't explained it.

HON. MR. SCHOENHALS: — Mr. Chairman, I find this interesting. What I am hearing the NDP suggest is that they are against employee ownership. I think I've explained the concept, what it means.

I will mention something that is obviously not in the prospectus since it does not involve Saskoil. All SGEU employees have been offered an employee deduction plan. It's in place. I would suggest as well, here we have the document from January 21, 1982 in which your cabinet heavyweights talked about their proposed offering, and it says, and I quote from the document that was agreed to in principle. The member from Assiniboia-Gravelbourg will pay attention.

Encouragement could be offered to payroll deduction schemes for SHAR purchases to increase the potential base of ownership.

Not any different. However, the rationale for the employees of Saskoil being offered this clearly laid out opportunity is so that the investor can have some comfort that the employees of the corporation are prepared to invest. The government, as the 60 per cent owner; I can assure you that we're interested in whether in fact the employees will take this opportunity. That would indicate that their performance in all likelihood will be at least as good if not better than it's been to date. And as I have indicated, the members of the government employees' union have been offered a payroll deduction plan as well.

MR. KOSKIE: — Mr. Minister, I think I heard you say that you have in the prospectus an employee unit purchase plan which applies to the Saskoil employees. Is it correct what you said, that you also have, not within the prospectus, but a similar plan for the SGEU employees? Have you got a similar plan of the interest-free loan for SGEU employees?

HON. MR. SCHOENHALS: — What I indicated, Mr. Chairman, was that the government, as an employer — nothing to do with Saskoil as such — have offered to all the government employees, not just the union members, but all government employees, a payroll deduction plan similar to what's in place for Canada Savings Bonds or has been in place in any number of institutions for any number of years. That's the comment I made. I'm surprised to hear that the member from Quill Lakes is against such a plan.

MR. KOSKIE: — I'm not talking about the payroll deductions. I'm talking whether or not the SGEU, in the plan that you've set up in respect with the government, you said — or with the new company — whether or not they are going to be getting interest-free loans up to \$10,000 for the purchasing of shares. That's the question. Are any other employees of government getting a plan comparable to the plan that you've set out in your prospectus in respect to the employee unit purchase plan for the employees of Saskoil?

HON. MR. SCHOENHALS: — Well, Mr. Chairman, I indicated very clearly the payroll deduction plan for the government employees. I have indicated as well, indicated as well very clearly — and the problem is, some people's mouths work better than their ears — I have indicated very clearly what we are proposing. It's laid out in the prospectus, clear terms. I've indicated the rationale. I believe that employee ownership is a positive thing. I believe that it's very reasonable for the corporation to provide loans in this manner for their employees to become shareholders in the corporation.

Possibly the . . . I have some problems understanding exactly what is wrong. As I indicated, I think investors, I think people who choose not to invest but suggest that they want government ownership of the resource — government will maintain 60 per cent ownership, as we've said many times in this House — I would think that those people, as well, would take some considerable comfort from the fact that the employees were shareholders in the corporation.

MR. KOSKIE: — All the simple questions which you didn't address, and you said you have payroll deductions set up with the government in respect to other employees, SGEU, SaskTel, and so on. And what I specifically asked: does the provision which you have in the prospectus, Saskoil intends to establish employee purchase plan for this specific offering for all of its permanent employees. And it goes on: 'Saskoil will provide financial assistance to each employee to the amount of X per cent of employee's annual salary' 25 per cent with a maximum limit of \$10,000, and the assistance will be provided, 'will be interest free and will be repayable in a full one year.' What I'm asking you: does that comparable provision apply to any other employees in government?

HON. MR. SCHOENHALS: — Mr. Speaker, as I indicated, or, Mr. Chairman, pardon me, the employee deduction plan that has been offered to government employees is the standard employee deduction plan, payroll deduction plan as is in place for Canada Savings Bonds or anything else.

It's different than this. The difference here is that the assistance provided will be interest free and will be repayable in full in one year. The obvious rationale for this is to encourage the employees of Saskoil to become owners of the corporation.

As I indicated, I believe that that is a very positive thing, not only for the employees, but also a very positive thing for the investors, a positive thing for the government as the owner of 60 per cent of the corporation. I would see this as something that anyone interested in this corporation would recommend. The suggestion that an employee ownership is not positive seems to go against the whole grain of socialist philosophy. I'm truly amazed to hear it coming from the opposite side of the House.

MR. KOSKIE: — Mr. Minister, I wouldn't turn to you for an expert on many things and certainly not in respect to socialism. Because you have . . . You don't even know what you're doing and you're trying to demonstrate to the House here that you know something about the free enterprise system.

The simple question is, Mr. Minister — and quit evading it; you're waltzing around again. The simple question is: if this is going to be a public offering, do you believe it's fair that all of the people in Saskatchewan — and we start off with the premise, own the Saskoil as a corporation, Crown corporation — that all people should have the same opportunity, an equal opportunity, pay no more, no less, be subsidized no more, no less than any other person that is going to be a shareholder? What I am saying, if you're going to put it out to the public, then what we're asking you to be is to be fair. We caught you, we caught you cold, in respect to the option on shares to the senior executives.

Now we've got another little bit of a game being played, another little game. Now how long is it going to take us in this House to get you to come to realize that we're sick and tired of the games you're playing. If you're going to offer it to the public, Mr. Minister, you have an obligation to offer it to everyone on an equal basis, no favouritism. You had favouritisms with the option. You've got favouritism here. You are, in effect, selling shares cheaper to the employees of Saskoil than you are to the rest of the citizens of Saskatchewan, and there may be more friends. You know the ones, the special ones that you want to help out. You know there was the executive firm tall. Now you say this is wonderful because you get more work out of the employee.

All I ask you, Mr. Minister, don't you think that it would be reasonable that every citizen who has an opportunity to buy . . . first of all, I would think that Saskoil employees who have worked for the corporation, have been closer to it, have seen the performance of it, know more of the details and intricacies of it, would be more inclined to want to invest on their own without being subsidized if it's a good deal. So I ask you: don't you think it's fair if you're going to offer to the public that you offer

it on a fair basis, that all the public, indeed, pay the same amount?

HON. MR. SCHOENHALS: — No, Mr. Chairman, I find the allegation, that there's something imminently unfair in employee ownership of a corporation, preposterous. I suggest to you, as I have before, that an investor looking at a prospectus — and I would suggest that the purpose of the prospectus is so that there will not be any games played. The fact that we are in this House debating the prospectus rather than the Bill would clearly suggest that there are no games being played. We are saying to the prospective investor that this is the proposal. Before anyone invests, the final prospectus we'll fill in the blanks. I have given you the numbers that go in those blanks. There are no games being played.

The concept of employee ownership, of providing an incentive for employees to invest in their corporation, and consequently, to take a direct interest in what happens in that corporation, to suggest that there is something unfair about that, Mr. Chairman, is literally preposterous. I can't believe that we're standing here discussing that type of a discussion. I suppose thought that when you consider the question of their concept of farm ownership, which was to buy all the land by government, and make serfs out of people as compared to ours where we provide opportunity for young farmers to purchase their land, employee ownership is obviously something that we're very proud of. I suggest that employee ownership in this corporation is important.

MR. SHILLINGTON: — Mr. Minister, what security for this loan will be required from the employees of Saskoil?

HON. MR. SCHOENHALS: — -Mr. Chairman, obviously their salaries provide the security.

MR. SHILLINGTON: — Is that the only security? I can't believe that, Mr. Minister. Is that the only security you're taking?

HON. MR. SCHOENHALS: — Mr. Chairman, their salaries and the fact that the shares are held in trust.

MR. SHILLINGTON: — Mr. Minister, their salaries are not of course a security for anything. They can quit their job and take the loan . . . (inaudible interjection) . . . Oh indeed, yes indeed. An employees' salary is security for very little.

(2100)

Mr. Minister, the terms upon which you are granting loans to the employees is more favourable than a bank would grant its clients' loans. The typical investment loans granted by banks provide that you must have a security ratio of two to one, \$2 in assets for every \$1 in loan. You haven't got that, Mr. Minister, and these shares may rise or fall, but if they fall, I suspect you're going to be met with some resignations rather than to pay these loans back.

Mr. Minister, I wonder why you feel it appropriate to grant employees loans on a more favourable basis than they would get it from their own banks. Their own banks are in the business of loaning money and know what is good business and what isn't. For this corporation to be granting loans on more favoured terms than a chartered bank would do it is, I suggest, not good business.

HON. MR. SCHOENHALS: — Mr. Chairman, I, on a number of times, have indicated to the members opposite the rationale for this element, this employee unit purchase plan, this element of the prospectus . . . If they are suggesting that it took four days for them to read the prospectus to page 31, I'll accept that. That has been in clear English in that prospectus, has been in that prospectus since the day it was issued. You had two months to look at it. I would possibly challenge the member opposite to stand up in this House and say that he's against this proposal, that he's against the concept of employee ownership. I'd be interested to hear him say that.

MR. SHILLINGTON: — Mr. Minister, you are granting rights . . . We are against unfair treatment of

employees. I am against the way this government treats its employees. Each group of employees is treated differently, and some of the difficulties which this government has had with its employees can be traced back directly to that. You cut one deal with the teachers, you cut another deal with another group of workers, and a different deal with a different group of workers, and you wonder why you have labour-management problems. You have labour-management problems for somewhat the same reason as you have problems with a wide variety of other groups, and that is because you aren't treating people fairly.

By and large, the majority of this corporation remains owned by the Crown and in a very real sense these people remain the employees of the public, serving the public in much the same way that the employees at Sask Mining do. Why, Mr. Minister, do you feel it's fair to be granting the employees at one corporation a special deal that isn't available to employees elsewhere?

You're granting what is potentially a lucrative right. A \$10,000 interest-free loan is nothing to be sneezed at. That's a valuable right. That is a very valuable right, Mr. Minister. You're granting it to one group of employees; you aren't granting it to another. Of course I say that's unfair. And that, Mr. Minister, is the reason why you've had a good deal of difficulty with your employees — for the same reason you've had with other people — you just simply don't treat them fairly.

HON. MR. SCHOENHALS: — Well, Mr. Chairman, the question, I think, in all that was why would we not offer this to SMDC, for instance, their employees. The answer is simply that the employees of SMDC are not going to influence the outcome or the performance of Saskoil. The issue here is Saskoil. The concept is a motivational incentive, if you will, to the employees of Saskoil. We've been through that a number of times and I suppose I have to ask the question once more: is it the position of the NDP that this is not a reasonable clause? I'd be interested to hear that. And is it their position that the employees of the crowns and the government employees should not have payroll deduction plans? I mean, payroll deduction plans are not available to everyone in the public. Possibly the member would clarify the NDP's position on the payroll deduction plan while he's clarifying their position on Saskoil's employees.

MR. KOSKIE: — We have a number of employees, and I hope that you're not saying that the employees in other Crown corporations are not carrying out their duties with dedication and concern; that these are going to be somehow special employees. This is what you're saying. You're saying, if you happen to work for a Crown corporation that is privatized, oh, well, then you can give them a package of shares, and, boy, you'll get performance.

Do you know what you've just said? You have said to the rest of them, employees, they are lesser, because they don't work for Saskoil. They are in a special position just because you're privatizing Saskoil. And you have said, other government employees, they don't work as hard, because obviously . . . He says that because he says with this share incentive they're going to work harder.

Now what you have said is, to get your little mission accomplished here, you have a few games that you're playing.

And you know, when you look under remuneration here — it's interesting that it comes here — remuneration of directors and senior officers; and then you go into the share option; and then you go into the employee unit purchase plan.

All I can say to you, Mr. Minister, you can't convince the rest of the people who are buying shares that this is fair. It'll cost somewhere around \$1.6 million of interest free loans to put this little project into place, and it discriminates against all of the other employees working for Crown corporations or for government. And I think it's unfair, Mr. Minister, and you haven't been able to justify it. And I'd like your further comments of justification on it.

HON. MR. SCHOENHALS: — Mr. Chairman, once again the initial comment of the member is preposterous. Nobody is inferring in any way, shape, or form, that members of various Crown

corporations are not pulling their load or doing a good job.

As I have indicated, we have offered to all government employees, and all Crown employees, a payroll deduction plan — a payroll deduction plan judging from the expressions of interest, in which they are very well pleased.

Now if, for some reason, you feel that is not fair, and you would recommend that we withdraw that, I will take that under advisement. I'd like to hear that comment.

On the other hand, in terms of Saskoil employees, the prospectus clearly states what is proposed; the rationale is obviously clear, a motivational tool, as I indicated, to encourage Saskoil employees to work on their own behalf, as well as on behalf of the investors in the government as 60 per cent ownerships. I think that's extremely clear. There's no indication to divide various groups of people and pit them against each other, as is your practice.

In one serious comment in terms of a response to the member from Shaunavon asked, I believe, about the exposure, the maximum interest exposure that Saskoil would have under this proposal is \$104,000.

MR. ENGEL: — As far as my calculation is, 259 employees, and if they're earning \$40,000 a year, can get the \$10,000, and people in the oil industry are making \$10,000 a year. Are you saying that these people are underpaid? Are you saying these people . . . You've got 259 employees. You have 259 employees. Now, just listen with your ears like your minister told you, instead of with your mouth. The minister said we're not listening. Well, his colleagues aren't either.

You have 259 employees, one-quarter of their wages. So if it's \$10,000, and a quarter of that — it's \$40,000 salary in my calculation, and if it isn't, you're suing a different calculator. That makes \$2.5 million in very round numbers and the exposure — no matter how you cut it — the exposure is 10 per cent at a minimum.

I can't borrow money for 10 per cent unless once this loan is passed, maybe farmers can get a little on their acreage thing at 6 per cent. But I want to say to you, Mr. Minister, I don't have one constituent that is getting preferential treatment on Saskoil. Not one. Not one! Here you have \$2.5 million that you're prepared to lend out to somebody to invest to make your share option look good, to invest in shares at zero interest, \$10,000. At the beginning of the year when these shares are offered they can get \$10,000 for a year at zero interest.

How a rancher wouldn't love that as buying . . . He has to pay his lease fees and didn't get a zero piece of hay off it. Why can't he get an incentive like a person working in the oilfields for Saskoil? Why don't you give an incentive to a farmer? Why don't you give an incentive to anybody that's out there trying to survive in Saskatchewan? The dealers that have their lots full of equipment would love \$10,000 a tractor for zero interest. They'd love it. They'd think you're great. Give them that kind of an option. Say look, we've had a bad year; the crops haven't been so good. We'll give some zero per cent interest in \$10,000 increments, and here they're taking it and investing it in shares. So they have money they don't even need to survive on. And I'm talking about people across Saskatchewan that would love a \$10,000 loan at zero interest. Interest free.

And you tell me that's not preferential treatment, Mr. Minister? That is preferential treatment. If you're giving them less than 10,000, if you think the exposure's only going to be half that amount, that they're not going to spend a quarter of their wages on shares, then there will be less exposure. But in my reading of it, it says that up to \$10,000, and I think that that is preferential treatment no matter how you cut it. They are getting \$10,000 worth of money at no interest and I think that that kind of deal should be offered to everybody in Saskatchewan. Put all your shares out at zero interest. Give them all \$10,000 and let us pay for it over a year. I think you'll get a good taking on your share sales. I think you'll get a good taking on them.

HON. MR. SCHOENHALS: — Mr. Chairman, I will take this seriously.

First of all, the maximum interest exposure — interest exposure — \$104,000. Clear enough — maximum interest exposure. Now, the question of the incentive to everyone else in society — the incentive is not an incentive to invest; the incentive is an incentive to perform. Only employees of Saskoil's performance is going to affect the corporation; consequently, the investor will look at this and he will say, in my opinion this is a good idea. As the owner, the government 60 per cent owner, is going to look at this and say that is an excellent incentive; that will encourage people to improve their productivity to make this corporation successful. The incentive is not in the terms of investment. The incentive is to have the employees purchase shares so they become owners (employee ownership), and will then perform to their maximum to make the corporation more effective for the benefit of all.

MR. ENGEL: — According to this book, you say there's about 259 employees. Is that about right?

HON. MR. SCHOENHALS: — Mr. Chairman, we have 200 . . . I believe the number in the prospectus is 263 employees on full time. There are some requirements in terms of how long they've been there and so on, but that is representative.

If I can draw an analogy to what we're talking about here, and the reason for it. If you look at Japan, Japan has numerous incentives to employee ownership. Employees are part of the corporation. Russia, on the other hand, has no incentives towards employee ownership. Which country is most productive?

MR. ENGEL: — The minister talks . . .

MR. CHAIRMAN: — Order, order!

MR. ENGEL: — The minister talks about lowering the level of the debates and I'm going to pretend I didn't hear your last comment. You said there's about 260 employees. How long do they have to employ before they can qualify for this loan?

(2115)

HON. MR. SCHOENHALS: — Mr. Chairman, the indication is that permanent employees as of December 1st will be eligible for the incentive that we're discussing.

MR. ENGEL: — You said that there's 260 plus permanent employees, around that neighbourhood, and you're saying that those are all eligible for the \$10,000. What interest rate are you then getting the money then, if you think the exposure is less than \$250 million — \$2.5 million?

HON. MR. SCHOENHALS: — Mr. Chairman, obviously the numbers we've rounded a little bit. Let me indicate that the maximum loan under this would be somewhere in excess of \$2 million. I suggested that. That will be paid off evenly over the course of the year. Consequently the mean amount outstanding at any one time would be, or the mean amount outstanding, would leave an interest payment at 10 per cent of 104,000. That's based on an average salary of \$32,000. Now we can take some time and do some detailed calculations but that's our indication of what the maximum interest exposure would be.

MR. ENGEL: — Now I'm having a little argument with my colleagues here. You said that all the employees that are permanent are eligible, did you not, or did you say that? The permanent employee as of December 1st is eligible?

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

MR. ENGEL: — I won that argument with my colleagues because they didn't think you said that. All the point I'm making is now maybe you should consider giving the people in the drought stricken area that same kind of break. Give us \$10,000, interest free money, to buy our shares because we

didn't have a crop last year, and that'll be an incentive to invest.

Why should somebody that already has a job, has a good position, is working for a company that's growing and expanding and doing great; why would you not give that incentive to somebody in the drought stricken area of Saskatchewan that would like to have a part of this and improve their retirement and whatever else by buying some shares?

I don't think you're being realistic by being selective and saying that some people require this incentive more than others. The incentive is there for him to buy his shares on an employee deduction, like it is for the person working in the hospital, like the school teacher. Anybody else can get an employee deduction program in place. But not everybody can get that \$10,000 loan at interest free, Mr. Minister, and that's a very, very attractive incentive. And I'd say, make it available to all the people of Saskatchewan. Make it available to all of them or to nobody. And then you're being fair.

HON. MR. SCHOENHALS: — Obviously, I'm surprised to hear the member arguing for the exclusion of this clause in the prospectus.

The point again, Mr. Chairman, and members of the committee, very clearly is that the incentive is an incentive to encourage increased productivity, to increase performance. The concept is not an incentive to increase the investment. The investment will take care of itself, because for one thing the investors will look at this and say, that's a good idea; that's going to make this a more productive corporation. I'm in favour of that. The employee should have that.

I repeat again, we're talking about performance, about productivity. I use the example that my colleague from Prince Albert indicated, Prince Albert-Duck Lake, the employees in Japan experience considerable employee ownership. It's part of their system. Employees in Russia do not. I will leave it to you to determine which employees perform better and are more productive.

MR. LINGENFELTER: — The Minister has outlined why a \$10,000 interest free loan is needed for the employees of his Crown corporation to get the kind of production he needs out of them, and he used that same explanation when he originally talked about their 50,000 share option. And it's interesting that they're in the perspective, one beside each, and I'm sure that they were both put in there for the same reason, as an incentive for the employees of the Crown corporation, or of the company.

And we can debate that forever and a day, what your intention was. You obviously say that in the case of the employee unit purchase plan, a \$10,000 interest-free loan is needed. And I don't know whether there's a great deal of point to be made in arguing whether an interest-free loan of \$10,000 for these former government employees is needed or not.

We can argue whether or not \$10,000 interest-free loans are in order for farmers in my constituency, in Shaunavon. I don't think I could sell you that, but we've asked for help for farmers for the past six months since the drought came and we have got nothing.

I would say as well that this employee purchase plan will not help one person — I don't think one person in my constituency. It may. It may help one or two. But in a severe drought area, when we have plans to put into place over \$2 million in interest-free loans, I would wonder about the priorities. Now you have your explanation for it. We wonder whether or not we, as taxpayers, can afford it but we'll leave it at that.

What I want to turn to now is the document that you gave to me last day — the one that you gave to me, not inadvertently, but the one that was the official document. And on page 2 of that document I want to ask you about section 9, and I'll just read it to you:

Saskoil intends to purchase all of the issued and outstanding shares of Northgate Funland Ltd. (Northgate). This Corporation qualifies as a legal-for-life entity as defined in the Insurance Companies Act, and is a Canadian corporation since it was

incorporated under The Business Corporations Act (Saskatchewan). This corporation has no liabilities, 100 issued and outstanding common shares representing a stated capital amount of \$100, and \$100 in cash.

Now, what I want to know about this, and I'm sure that other members will have had time to read this, is an explanation of Northgate Funland — that company. Is this some company, oil drilling company from Calgary or Oklahoma? What expertise does this Northgate Funland Ltd. bring to the drilling program of your new company?

I've been trying to do some research on this company today and I find that it is associated with pinball machines; that it has a great record in pinball machine leasing. Now what I want to know is why Saskoil is purchasing Northgate Funland, a company which has great expertise in pinball machines, when you're talking about guaranteeing the risk that insurance companies and pension funds will be eligible and feel secure by purchasing this Funland operation, Northgate Funland.

Now I'm sure the teachers' pension fund will rush out and buy Saskoil shares, knowing full well that these experts from Northgate Funland — and we'll go into the shareholder structure and the people involved in this company later — but I'm sure the teachers' fund, for example, the STF, all the teachers in the province who you want to invest in this corporation, will feel very secure knowing you have purchased up all the shares of Northgate Funland Ltd., to bring that kind of expertise on pension funds and investment, and knowing that they'll be secure and that when they get to be 55 or 65 that this expertise that this company brings will be protecting their pensions. That's my understanding of it.

I wonder if you could stand in your place, sir, and explain to us why Saskoil is purchasing this pinball machine leasing company.

HON. MR. SCHOENHALS: — Mr. Chairman, I'd be pleased to do that. First of all I would suggest in the initial comments that I would be interested to see where the member could show the committee by quoting *Hansard* that the answer I gave to the executive share option was the same one as I gave for the employee purchase plan, because it's obviously not true.

I have said constantly that the options were strictly for tax purposes, not for remuneration, and that is clearly the . . . (inaudible interjection) . . . Well you show me . . . (inaudible interjection) . . . Well no question. You show me . . . (inaudible interjection) . . .

MR. CHAIRMAN: — Order, please. Would you please allow the minister to continue with his answer?

HON. MR. SCHOENHALS: — I suggest that you find out where I said that and show me. Yes, we talked many times about the executives' payroll and so on. It had no bearing on that point, though. However, in terms of the question that has been raised, this has to do with the process and I'm surprised that your learned legal friends didn't update you or didn't choose to ask the questions themselves, on the rationale for this procedure. And I will go through it in detail. It will require that you listen carefully, because it is a little bit complicated.

First of all . . .

MR. CHAIRMAN: — Order, order! Now this is the second time I've had to call the hon. members to order because the minister is having difficulty giving his answer. Would you please allow the minister to give his answer?

HON. MR. SCHOENHALS: — Saskoil will be amalgamated with a legal for life company to enable life insurance companies and pension funds, as well as the public, to invest in the securities of Saskoil; amalgamated with a legal for life company, strictly to allow the investment to take place. A legal for life company has an established dividend or earnings record over the past five years. Saskoil did not meet the stated requirements to be eligible for investment by life insurance companies

and pension funds, so it has to amalgamate with an acquired legal for life company so that pension funds and life insurance companies can invest in its securities. And I think it has been clearly stated several times that one of the advantages of this Bill and this option is that pension fund money will be able to stay in Saskatchewan and create the things in terms of economic activity, jobs, and so forth that we want in this province and I think pension funds are . . . (inaudible) . . . happen in this province.

It should be noticed that this amalgamation is strictly a mechanism to provide for the investment in Saskoil securities by pension funds and life insurance companies. It should be noted — should be noted; I repeat that — that this amalgamation is strictly a mechanism to provide for the investment in Saskoil securities by pension funds and life insurance companies. It is important for the success and the distribution of the offering that life insurance companies and pension funds be eligible to invest in securities in Saskoil because strong institution support is necessary for a strong after market. I think the members understand that.

(2130)

And two, investment by pension fund and life insurance companies ensures that the maximum number of investors participate in the offering, and maximum distribution has been the objective.

And of course the third reason, which I have already mentioned, the third very key reason is that one of the elements of this issue is that pension fund moneys, which have flown out of this province year after year, will now have a realistic consideration that they can turn to if they choose to invest in the province.

The financial advisers to Saskoil pursued the acquisition of a legal for life company to meet the needs of Saskoil, and that pursuit took place over a number of months. The legal for life company that was selected was situated in Saskatchewan and was the most appropriate legal for life company in terms of its financial history.

Saskoil's operations will not change in any way as a result of this amalgamation. I repeat that. Saskoil's operations will not change. The amalgamation is expected to be completed just prior to the filing of the final prospectus.

The member opposite questioned whether the fact that Northgate is being amalgamated will provide any confidence for institutional investors to rush out and invest in Saskoil. I would simply indicate to him that in the case of PWA, where a similar offering was issued to the public, they had to do exactly the same thing. They amalgamated with a non-active cab company in Red Deer, Alberta and the institutional investors did in fact rush out and invest in PWA in very significant numbers. And the amalgamation has very little to do with whether it simply provides the mechanism by which institutional investors may invest.

MR. LINGENFELTER: — Well the question of credibility certainly arises here. The minister used this same explanation for three days when he talked about the \$50,000 share option. Exactly the same story; using exactly the same story as he is now for this company that is referred to in the document as Northgate Funland Ltd. I have here a business corporation Act document, annual returns March 31, 1978, which lists the shareholders of this company, Mae Abdoulah of Regina, Saskatchewan, common shares 25; Timothy Abdoulah, Regina, Saskatchewan, common shares 25; Joy Ellen Abdoulah, Regina, common shares, 25; and Nancy Ober, Regina, common shares 25, or it may be 125 — it's a little hard to read this old document.

The directors are Mae Abdoulah, 15 Parkwood Road, Regina, Sask., president and Nancy Ober, 106 Darke Crescent, Regina, Sask., secretary-treasurer.

Now what we're talking about is a Crown corporation which is being taken apart, dismantled where shares are being offered, and the pension funds of teachers and others are being asked to be put into it but the corporation you're setting up doesn't have the track record or the credibility in order to attract them. And in order to do that we're incorporating with another company. I fail to see how this

gives credibility to your new company, a pinball company that . . . I don't know whether it was making money or not, but maybe you could tell us that. The other thing that I would like to know is: what price did you pay for this company before you changed the name of it?

HON. MR. SCHOENHALS: — Mr. Chairman, the company which we are amalgamating with is a dormant corporation that used to be in the pinball business, if you will, leasing pinball machines, vending machines, that type of thing. It is a dormant company owned, as you indicated, by the Abdoulah family. We purchased the company or will purchase the company or will amalgamate with the company. The price was \$25,000, I believe, slightly less than the going rate for this type of thing, and I suppose . . . The members opposite have indicated that they have been seeking legal and financial advice over the last couple of days. I suppose I would challenge the members opposite to table any legal advice that they have that indicates that there is some other way to make Saskoil a legal for life corporation.

MR. SHILLINGTON: — Mr. Minister, . . . (inaudible) . . . would Saskoil have qualified? One of the criteria is the dividend record of the company. Would Saskoil have qualified on the basis of its profit and loss over the years and its ability to pay dividends?

HON. MR. SCHOENHALS: — Mr. Chairman, in the legal sense, Saskoil doesn't meet the requirements because they have no share capital and consequently could not pay dividends to the shareholders. And excluding that, the fact that Saskoil has only paid dividends in the three years that we have been running the corporation — it never paid any dividends under your administration — would preclude that from happening.

MR. SHILLINGTON: — Mr. Minister, I raise the issue of whether or not this isn't something of an abuse of the rules relating to life insurance companies and pension funds. The rules which restrict the investment in speculative companies are there for a reason. I wonder, Mr. Minister, if it isn't something of an abuse of those rules to amalgamate with a shell. That's what you've done. You've bought yourselves an eggshell and amalgamated with it so that this company might be one which life insurance companies can invest in. Surely if the rules are there, they're there for a good reason. If you think this company is going to do such a land office business selling its shares, why not let the public buy the shares? Why bother with the reinvestment funds, and why not let Saskoil qualify on its own basis without going through this charade?

HON. MR. SCHOENHALS: — Mr. Chairman, a further reason why Saskoil did not qualify as a legal for life was of course the fact that in 1981, the last full year of your administration, Saskoil had losses, and that precludes them from qualifying. The procedure that is here, and I'm sure you understand that from your legal background, is the standard procedure to make a corporation legal for life. I referred to the PWA process, where they in fact amalgamated with a dormant cab company in Red Deer, and as I indicated with a very successful issue of shares. This is exactly the same procedure. It has to be a corporation that meets those requirements. As I indicated in the outline, we've chosen this dormant corporation, the one that has been referred to, and that is the decision.

As I indicated, if you have some legal advice that indicates there is a different way or there is something wrong with this, we would suggest that it should be tabled.

MR. SHILLINGTON: — Well I'm suggesting the rules are there for a reason. You, Mr. Minister, are evading those rules by going through this charade. I wonder if that's appropriate. I wonder if the rules set up to protect the holders — the people who have pensions in pension funds and people who have life insurance policies with insurance companies — shouldn't be respected.

HON. MR. SCHOENHALS: — Mr. Chairman, as I indicated, the process that we're going through is one that has been followed by many corporations for many years. This member suggests that there is an element of artificiality about it. I would simply suggest that our legal advice is that we are not in any way evading the rules. If in fact, that were true, in approving the prospectus the securities commission would obviously have concerns that they would express.

I point out as well that the reason that the — that is laid out in the prospectus is so that investors can, particularly institutional investors, can look at what is taking place and make their decisions.

And I suppose it is suffice to say to the member opposite that since institutional investors have had an opportunity to review the prospectus, we have had what I can only call fantastic expression of interest from institutional investors who have looked at this and have made their decisions accordingly.

MR. SHILLINGTON: — Who are the people to whom the \$25,000 was paid?

HON. MR. SCHOENHALS: — Mr. Chairman, the \$25,000 was paid to the four shareholders that the member from Shaunavon listed earlier in debate.

MR. SHILLINGTON: — What assets did you get for the \$25,000?

HON. MR. SCHOENHALS: — Mr. Chairman, and members of the committee, in terms of this corporation, when Saskoil makes a purchase, we will purchase no assets, we will purchase no debt. What we are purchasing is the company's earnings and dividends record, which qualify it as a legal for life company.

There is a market for companies like this, and I would suggest that we are advised that \$25,000 is well below the average rate for such companies. The corporation, as I indicated, is dormant at this time. Consequently no assets are included in this purchase.

MR. SHILLINGTON: — How did you come to choose this particular company, Mr. Minister?

HON. MR. SCHOENHALS: — Mr. Chairman, the reason we picked this company was because it met all the requirements. It was less expensive than others could have been, and it existed in Saskatchewan. We did not have to go to Alberta. It made the amalgamation that much more simple since the two companies are registered in the same jurisdiction.

(2145)

MR. SHILLINGTON: — You didn't answer my question, Mr. Minister. I asked you how you come to choose this company, not why you chose this company. How did you come to pay \$25,000 for an empty paper bag? How did you choose the lucky recipient of this empty paper bag? Somebody got \$25,000 for absolutely nothing. I'm wondering how you chose that deserving soul.

HON. MR. SCHOENHALS: — Mr. Chairman, we looked at companies right across Canada that met these criteria. We are not aware . . . No other company in Saskatchewan came to our attention that met the criteria and existed in this province. Not to say there may not be some; we're not aware of any. We did look within Saskatchewan for other companies who met the criteria. Since we couldn't find any, are not aware of any, and this corporation was not particularly expensive in this market, met the criteria and was Saskatchewan owned, we went ahead on this basis.

MR. SHILLINGTON: — How did the particular company come to your attention, Mr. Chairman?

HON. MR. SCHOENHALS: — Accounting firms throughout the country are aware of corporations of this type. Our accountants, Clarkson and Gordon, became aware of this particular corporation, and consequently the transaction has been set up in this manner.

MR. SHILLINGTON: — How did you arrive at the \$25,000 donation to these people? They got 25,000 bucks for, as I say, an empty paper bag. How did you arrive at the price?

HON. MR. SCHOENHALS: — Mr. Chairman, the purchase price was arrived at through a negotiation process as in any purchase. We had negotiations with other corporations that fit, none in Saskatchewan, one in Edmonton, for instance. Prices ranged up to \$40,000 for this type of

corporation with these characteristics. The one in Saskatchewan, as I indicated, was the lowest priced, was in the province, met the criteria; consequently, the transaction proceeded on that basis.

MR. SHILLINGTON: — Are you saying, Mr. Minister, that this was the cheapest empty paper bag you could find?

HON. MR. SCHOENHALS: — Mr. Chairman, this was the cheapest, dormant legal for life company that met the criteria I have laid out. I can go through the criteria again. I don't really believe that's necessary. It met the needs; it was a Saskatchewan company; was the least expensive.

MR. SHILLINGTON: — Mr. Minister, has the \$25,000 been paid? Is that money that has been paid?

HON. MR. SCHOENHALS: — Yes, Mr. Chairman, we've already purchased the company. The amalgamation is expected to be completed just prior to the filing of the final prospectus. But if the question is have we made the purchase? Yes, we have made the purchase. We are waiting to go through the process of amalgamation.

MR. SHILLINGTON: — Do you still maintain a board of directors of Northgate Funland Ltd.?

HON. MR. SCHOENHALS: — Mr. Chairman, at the time of the purchase the old board, the board that was mentioned, resigned. All the shares are in Saskoil's name. There are two directors, one being the Saskoil vice-president of corporate services, the other being Saskoil's legal counsel. At the time that the amalgamation takes place, this company ceases to exist. The core of the directors no longer serve any purpose, and it becomes part of Saskoil.

MR. SHILLINGTON: — What is the current rate of remuneration for directors, Mr. Minister?

HON. MR. SCHOENHALS: — Mr. Chairman, the remuneration of directors of Northgate is zero.

MR. SHILLINGTON: — I may not have made myself clear. I was asking about the rate of remuneration for the current directors of Saskoil as a Crown corporation.

HON. MR. SCHOENHALS: — Mr. Chairman, again in the prospectus, the aggregate numbers are on page 31. The remuneration for board members in Saskoil was a standard remuneration for a class A Crown in the Crown sector. The board members receive a \$1,800 per year retainer, and they are remunerated \$300 per meeting day, plus expenses.

MR. SHILLINGTON: — Are there any plans for any changes in that rate of remuneration after this company is privatized?

HON. MR. SCHOENHALS: — Mr. Chairman, there's no plan in place to adjust those remunerations at this time, certainly.

MR. SHILLINGTON: — Will the minister not admit that the rate of remuneration is likely to be increased once this company is privatized?

HON. MR. SCHOENHALS: — No, Mr. Speaker, I'm not prepared to say that that is likely. Obviously that's very speculative. However, the power to make those decisions would rest with the board of directors after the share issue takes place.

MR. SHILLINGTON: — Yes, it's a decision made by the board of directors, but it's normally approved by the shareholders, of which you represent 60 per cent. And I wondered, Mr. Minister, if you have any policy in mind with respect to payment of remuneration for directors hereafter.

HON. MR. SCHOENHALS: — Mr. Chairman, there's no indication at this time of any proposed changes. Any changes that did take place would be initiated by the board of directors. They would be ratified at the annual meeting by the shareholders. I think that would be standard procedure, but

it's strictly speculative. There's been absolutely no discussion of anything of that nature to this point.

MR. SHILLINGTON: — Mr. Minister, with respect to the board of directors itself, what size of a board of directors does the company plan on having afterwards? What size of board of directors do you envision after the privatization?

HON. MR. SCHOENHALS: — Mr. Chairman, there are eight listed in the preliminary prospectus. There will be nine listed in the final prospectus. The terms of the size — I would suggest 10 is a reasonable number for a corporation of this size.

MR. SHILLINGTON: — Of those 10 how many does the Crown anticipate appointing?

HON. MR. SCHOENHALS: — Mr. Chairman, the Crown will appoint a number proportionate to its shareholdings. I would suggest six of 10, 60 per cent.

MR. SHILLINGTON: — Mr. Minister, does the minister intend to appoint six of the eight incumbents? What are your plans with respect to the board of directors of this corporation? I think that's a very fair question, given the nature of what you're starting.

HON. MR. SCHOENHALS: — Mr. Chairman, that obviously has not been finalized and will be subject to the Lieutenant Governor in Council for ratification, but I would suggest that our six will in all likelihood come from amongst the present members.

The committee reported progress.

The Assembly adjourned at 10 p.m.