

LEGISLATIVE ASSEMBLY OF SASKATCHEWAN

December 12, 1985

EVENING SITTING

ADJOURNED DEBATES

SECOND READINGS

The Assembly resumed the adjourned debate on the proposed motion by the Hon. Mr. Hepworth that Bill No. 122 — **An Act to amend The Heritage Fund (Saskatchewan) Act (No. 3)** be now read a second time.

Motion agreed to, Bill read a second time and, by leave of the Assembly, referred to a committee of the whole later this day.

The Assembly resumed the adjourned debate on the proposed motion by the Hon. Mrs. Smith that Bill No. 124 — **An Act to establish a Dental Plan for certain Teachers** be now read a second time.

MR. TCHORZEWSKI: — Thank you, Mr. Speaker. I adjourned debate on this Bill on December the 5th and I'm glad that it's up again. I would like to just say a few words on it because there are some, I think, important things to note, not so much in the legislation, although connected to the legislation on this Bill, which I would like to state and put on the record.

As the minister indicated and I concurred, this Bill is a result of a recently signed agreement between teachers, school trustees, and the government. One of the notable things about that agreement is that it took an unduly long period of time for it to be signed and agreed on. This is the first time in the history of Saskatchewan that teachers had to go at the end of June and wait all summer for negotiations to continue again in the fall in order to reach an agreement, to bring about this particular bill as well as the other Bills which are in here. I want to state that that is something I hope will not continue, and I hope it's not the kind of precedent-setting event that will cause both trustees, Mr. Speaker — and you'd know about that — and teachers to be concerned about in the future.

This Bill to establish a dental plan for teachers, I want to say first of all, is a positive move. I welcome it. I know that teachers welcome it. Our caucus welcomes it because it provides a much needed benefit which, in my view, everyone in our province and in our modern day society should have.

But there is some contradiction here. Whereas there is this kind of Bill presented and this kind of plan presented. I think it's not so long ago when this government just removed four-year-olds from the children's dental plan. And I want to say that I think that that was wrong. Those are formative years, Mr. Speaker, of children, and the way that their teeth develop will determine the way they are for the rest of their lives. So I think there is some contradiction in the approach of this government, and it's unfortunate.

I think that the request by the Saskatchewan Teachers' Federation negotiators for this plan was a fair request. I know that teachers have been asking for a dental plan for some time, and they were successful finally in negotiating into the agreement. The plans may have flaws — I'm not pretending standing here to be an expert on it — but overall it's a generally good plan. But even though it may have some flaws, I think it's a very good beginning, and I commend the school trustees and teachers for recognizing the need for it.

I wish I could be as positive, Mr. Speaker, about the bargaining process in the past year which finally concluded the agreement which results in this Bill. Unfortunately, I would like to be, but I cannot. I'm sure that the minister is aware that there is a lot of concern in the teaching profession about the payment of, for example, the lump sum which is part of the agreement which brought about this legislation . . . (inaudible interjection) . . .

MR. SPEAKER: — Order, please! I don't think that we're negotiating salaries for teachers and that sort of thing tonight, but rather there's a dental plan here, and if the member is interested in discussing

that, but I'd like to listen.

MR. TCHORZEWSKI: — I accept your ruling, Mr. Speaker. I just assumed that since I'm talking about the history of this Bill, that it may have been in order, and the history of the Bill includes the negotiations which brought about part of the dental plan, and that indeed is part of the package. But I have been here before, and it would be far from me to question your judgement on that.

Just to say that in a few more comments that one of the greatest concerns, that, as I said, teachers have is the process, and the Bill on the dental plan is one of the positive results of that. There is no denying that.

One of the ways in which this Bill was brought, Mr. Speaker, was that there were ultimatums that were given by the Minister of Finance and the Minister of Education. And I will be asking the minister about the government's position in committee when we discuss this Bill — what the government's position is on the collective bargaining process which there is now in the province of Saskatchewan for teachers and school trustees, because the experience in this past year was one of not a very good one, where teachers were told, you take what we're giving you and that's it. I don't think that's collective bargaining. And I think that there is a dangerous precedent that is being established by that.

So in concluding my remarks, Mr. Speaker, I want to say that our caucus will be supporting this legislation. Both teachers and trustees, nevertheless, remain concerned about the future, and we, as the New Democratic Party and the official opposition, will be watching carefully the events as they develop during the next year and so forth.

HON. MRS. SMITH: — Thank you, Mr. Speaker. My comments will be relatively brief.

I am pleased tonight to hear that the new member from Regina North East concurs, and I think we on this side of the House fully recognize that this particular member is one that could very well benefit from this package in the very near future.

I want to state, Mr. Speaker, that negotiations during the last year, while at times were perhaps particularly frustrating for all three parties involved, they were certainly fruitful. And I think that we see the results of that in the discussion that is before us tonight.

I am reminded when it comes to negotiations, and when you have a benefit such as the dental plan being added to a package, that someone once said that good negotiations and the result of them are often the art of compromise. And that again is what you see before you tonight.

I think, given the reality of the state of the world, and what the average person recognizes out there, and what they demand of their institutions, and of their government, is simply one of recognition and what is fair and what is affordable.

So it is with pleasure that the government has before it a new benefit for teachers. We realize and we recognize that there is no large increase in the two-year package on salaries; however, there is an increase on the second year. But perhaps the benefits is a place to move when salaries, high salaries, are not the order of the day. And so, Mr. Speaker, it is with pleasure that we do support and put forth the negotiated dental plan for teachers.

Motion agreed to, Bill read a second time and, by leave of the Assembly, referred to a committee of the whole later this day.

The Assembly resumed the adjourned debate on the proposed motion by the Hon. Mr. Taylor that Bill No. 127 — **An Act to amend The Cancer Foundation Act** be now read a second time.

MR. SHILLINGTON: — This Act, which I cannot quite find in my book very quickly, provides for an increase in the

borrowing power. We are told by the explanatory notes that the increase of the borrowing power is necessary to provide for capital expenditures. Given the size of the increase, I assume that the cancer foundation intends on building buildings. That is the only thing that could justify a borrowing power that large.

Our caucus does not intend to vote against it. I do want to say, however, that in general terms it's unwise for individual agencies of government to be building buildings. I think all buildings should be built by the Department of Government Services. I think in that fashion the cost of buildings is kept to a minimum.

Given this government's record in terms of patronage. I have the darkest suspicions of any fragmentation of the right to purchase and own buildings. However as I say, that is somewhat speculative. It hasn't happened yet although there were those who say it's almost inevitable. As I say, Mr. Speaker, not so much for that, but just simply for reasons of good administration, I think it's unwise for agencies to be building and owning buildings.

However, having said that we don't intend to oppose this.

Motion agreed to, Bill read a second time and, by leave of the Assembly, referred to a committee of the whole later this day.

The Assembly resumed the adjourned debate on the proposed motion by the Hon. Mr. Embury that Bill No. 132 — **An Act to Provide Heritage Grants to Certain Senior Citizens** be now read a second time.

MR. TCHORZEWSKI: — Mr. Speaker, once again I'm pleased to be able to make a few remarks on this Bill. I adjourned it the other day because I wanted to study the comments that the minister had made in his second reading remarks.

Having done that, and I do not say that in any disrespectful way, but I really did not learn a great deal from the comments, and so we will be asking you questions on a lot of items, one of which I suggested to the minister the other day dealing with this Bill. And I will refer to them in some of my remarks at the conclusion of them.

I want to state that the New Democratic Party has a tradition of putting our senior citizens as a very high priority. We've done that in the past, and we continue to do that now, and we will continue to do that in the future. These are the people who pioneered the initiation, the initiatives, and the programs which make our lives today so much better than, in many cases, theirs were.

So any amount of assistance that we may provide as a legislature certainly is something that's worth considering. These people are our parents and our grandparents, and they sacrificed very much personally because they were determined to make a better future for their children and their grandchildren. They built our schools, and they built our hospitals and their churches, and they gave us a lot so that we could have more than they did.

They built our wheat pools, and our co-operatives, and the kinds of things that improve Saskatchewan, and made it one of the best provinces in Canada. And surely all that we can do to return that at any kind of a dividend to them now, we should do as unselfishly for them as we did for us. And I want to say that that's the kind of philosophy upon which and the principles upon which our caucus and the party that we represent approaches our attitudes towards the senior citizens of Saskatchewan.

(1915)

I remind the minister in the government that our senior citizens still are concerned about the future. Simply because they are senior citizens does not mean that they have changed that. They look to the future, not only with regard to how it interests them, but how it interests us and those who will come after us. They are involved, as they should be, in their communities and in many organizations and

are concerned about the growing debt, for example, that the deficit of Saskatchewan which this government has created and what the implications of that might be.

They know better than anyone else, Mr. Speaker, that that mortgage has to be repaid at great cost and the costs of that debt will greatly reduce the amount of money available to improve education to provide further services to senior citizens beyond what this legislation provides, what implications on health care programs, and so on. They know because they've been through it. In their lives they have been through some difficult times and some good times. They have worked hard to see if they can solve some of the problems, and I am concerned that some of the trends that we see in our society today are taking away many of the gains that they have brought about.

I just want to suggest to the government opposite and the minister and to the Premier to stop simply talking about listening and actually going out there and hearing. And I think when we look at the changing of senior citizens' programs four time in two years, and this Bill is the fourth program in two years, simply the changing of that kind of confused state of affairs tells you very clearly that there is a lot of talk about listening but very little hearing.

It's a flip-flop here and flip-flop there. When the minister stood up and described the Bill and introduced it, one of the things he said that it will not do is have a lot of red tape. Well I don't know the difference between a lot of red tape and creating a lot of confusion which has been the case. And in the application for these grants, people are going to have to provide proof that their income is at a certain level. As I noticed even in one of the sections, and I'm not going to refer to the section because I know it's not appropriate to do it on the principle, but in one of the sections it indicates that the minister might even require an affidavit from a senior citizen showing proof of income.

The other concern I have is what will happen an application is made and a grant is provided and then the income changes in that it may increase, but that was not allowed for by senior citizens most of who do not have a lot of income that they can make adjustments in. Will the minister then go out and cause repayments to be made by people who cannot make those kinds of repayments in most situations? And I hope that the minister will be able to answer some of those questions in committee.

This Bill doesn't go far enough. I want to make that point. It doesn't go far enough because there are all kinds of other programs that need adjustments as well. We have a hearing aid plan which now people have to wait six months to get their hearing tested. It used to be a turn around period of one month. This Bill and other related legislation does not deal with those kinds of problems, and they're serious problems for people who have to wait for months and months and months waiting for a hip operation, a very painful kind of situation to be in, but the waiting lists in the hospitals are so long that the people are unable to get that kind of treatment.

Now, Mr. Speaker, I mentioned earlier that there has been a lot of flip-flopping of the initiatives by the government on the program provided for senior citizens. I hope that the minister will explain very clearly the government's reasons for those flip-flops. First of all the property improvement grant program for seniors and the school tax rebate was scrapped. Why? I don't know, but I suspect the reason that then was changed was because seniors said, we're not going to have any part of that.

Then there was the announcement of their very hasty patched-together program last May for 1985 only. Well they must have taken a poll and the poll said that the people aren't happy about that. And now scrapping the program announced in last April's budget for 1986, we are seeing something else altogether in the launching of this new program under this Bill.

It's not so much that this is so bad. Some of its implications and some of its results may be bad. But the process through which this has all developed tells us how bad the government opposite is in that it seems to have only to be motivated by political interests before it is about the needs of people. It's an attempt to buy their way out of damage which they have created in over three and a half years. And as one senior citizen said after the Premier made the announcement in Saskatoon. I guess there must be an election coming.

Well we certainly would welcome an election. I want the members opposite to know we would have welcomed one in November. I think the Premier's probably relieved that he didn't call one. But any time they're ready to call one, we're ready.

Now understandably, Mr. Speaker, Saskatchewan citizens are very sceptical, as that one lady who was interviewed indicated. They're sceptical about this government. They remember it was this government that promised free telephones and they've yet to see them, as well as many other promises which have not been kept.

As I read this Bill and read the comments that the minister made, I'm concerned about the 26,000 senior citizens who are on SIP (Saskatchewan Income Plan), and I'm concerned about the 62,000 senior citizens who get the guaranteed income supplement. That amounts . . . Under the guaranteed income supplement for 1984-85, for example, the recipients were paid a total of \$143 million. And I submit that it will be very interesting to see whether the minister can provide any evidence to the contention that senior citizens will not be taxed on these amounts.

If I remember correctly what his remarks were, he said something to the effect that based on the best information we have now, the heritage program benefits will be neither taxable nor will they have the effect of reducing GIS payments.

Well I submit, Mr. Speaker, to this House and to you that simply saying, based on the best information we have now, is not going to be adequate when we get to committee. And I will be asking the minister to provide to us the interpretation that he has received from the tax department in Ottawa or from the minister in charge of the tax legislation in Ottawa, assuring that that indeed will not be the case, because he should know as well as I know that simply getting some assurances without the formal assurances is not a guarantee of anything. And I really would fear to see that many senior citizens might lose all or a portion of their guaranteed income supplement because that was not looked after by this government when they brought in this legislation.

Now I'm not at this point in time questioning or suggesting that that has not been done, but I certainly think it's fair of us to request that that assurance be provided to this House so that the seniors of Saskatchewan can be provided that assurance. I will have my remaining questions and remarks to make when we get into the committee on this Bill, Mr. Speaker.

HON. MR. EMBURY: — Thank you, Mr. Speaker. I'd just like to note to the House, despite the words of the member for Regina North East, that what we have before the House tonight is the richest senior citizens' program ever to be seen in this province. And it is interesting, Mr. Speaker, and I hope that the seniors in my seat and the seniors in north-east Regina note that they are against this program.

Not once in 10 minutes of the member's speech I heard him say that he was in favour of this Bill. Not once did I hear him say that he was in favour of the Bill. It will be interesting, Mr. Speaker, to see how his senior constituents react to that.

Quite frankly, Mr. Speaker, what this program is is a very simple program, simpler even than the tax rebates that they used to get. It is a very straightforward, very simple, very rich program for seniors, who well deserve it, and I would think that all members of this House would, or should, support this Bill.

Motion agreed to, Bill read a second time and, by leave of the Assembly, referred to a committee of the whole later this day.

The Assembly resumed the adjourned debate on the proposed motion by the Hon. Mr. Embury that Bill No. 131 — **An Act to amend The Income Tax Act (No. 2)** be now read a second time.

MR. TCHORZEWSKI: — Mr. Speaker, I understand, as I indicated the other day, that this is as a result of the legislation we have just dealt with, so I do not think I want to add any other comments on that,

except those that we may want to add in committee.

Motion agreed to, Bill read a second time and, by leave of the Assembly referred to a committee of the whole later this day.

The Assembly resumed the adjourned debate on the proposed motion by Hon. Mr. Hepworth that Bill No. 134 — **An Act to amend The Livestock Investment Tax Credit Act** be now read a second time.

MR. ENGEL: — Thank you, Mr. Speaker. On December the 9th, when the minister introduced the Bill, he left the House with the impression that the livestock incentive grants, tax credits, that they have introduced in this Assembly and the Act that we are amending today has done wonders for the livestock industry.

And I just want to say today that all the farmers and all the cattlemen, all the meat producers in the country, know that cattle numbers in Saskatchewan are at an all-time low. In fact, I think when I responded to the Bill on that day I said that it's a 21-year low.

And your tax credit program has proven that the incentive to the rich isn't what it takes to get the industry on the road. You need more than an incentive to the successful. You need programs that recognize the needs of livestock producers, the needs of cattlemen, the needs of pork producers to get in and make their program work.

I think this incentive program is being amended today to provide some additional information that we can be discussing in committee of the whole. The explanatory notes say that this section gives the minister, through regulation, the power to recognize or designate the interests of any person as one whose interest constitutes ownership of livestock.

I believe him when he said in his remarks that he is trying to make the program more fair so it helps people in the co-operative movement. I am hoping very strongly that you are not developing a little loophole here where you can bring somebody like Peter Pocklington in your office and say, we're going to give you a tax credit or we're going to give you a special incentive. I don't think this Bill is going to do that. I hope it's not going to do it. I want an assurance from you that you're certainly interested in people that co-operatively own some cattle, and not necessarily interested in the people that put a little money into a feedlot.

(1930)

I'm hoping the minister will clarify that point for us tonight because if you read his notes on it, it almost sounds like he's more interested in the doctors and the lawyers and the investors, and not so interested in the farmers. And this is why so many of your programs are going down the tubes. This is why so many of your programs are total failures, because you have in mind your friends that support you and get you elected rather than the farmers that are out there trying to make a living. You forgot that Saskatchewan is made up of ordinary farmers trying to eke out a living on one or two sections of land. You're so involved in a program here, and now you're amending it so that there's even less red tape, and so there's less loopholes for somebody to get through and claim a tax credit.

So, Mr. Minister, we'll delve into it a little bit when you have your officials around in the committee of the whole, and discuss just how this is going to work and how it's going to trigger a pay-out in a case of somebody that is deemed to own cattle. How are you deemed to own cattle? Is that when you're a medical doctor and earning \$150,000 a year and you invest it in a feedlot? Are you deemed to own cattle when they're sold? I'm hoping that your intentions are right. The explanatory notes are quite different that you sent around than what the actual Bill says, so we'll discuss it a little later on.

With those remarks, Mr. Minister, if what the minister says, I feel we can take his word for it, we'll support this piece of legislation.

HON. MR. HEPWORTH: — Mr. Speaker, I think, as the hon. member suggested, we can cover off any of his questions in clause-by-clause study of the Bill.

However, I would like to put some facts on the table as it relates to what's happened to the livestock industry while the Tory administration has been in, and I would suggest that part of this has happened because of initiatives like the Livestock Investment Tax Credit. He made reference to cattle numbers being at 21-year lows, but, Mr. Speaker, let's examine the record in a little bit of detail. Let's examine, Mr. Speaker, what happened for example to the pork industry under the NDP years.

Mr. Speaker, when the NDP came to form government in 1971 there were approximately 1.259 million hogs slaughtered annually and marketed in this province. In 1982, Mr. Speaker, under NDP policies . . . By 1982, Mr. Speaker, under NDP policies, which he tried to suggest were the right ones to the livestock sector, we saw the hog numbers go from 1.259 million down to something around 600,000. Now, Mr. Speaker, under a Tory administration hog numbers are going to be estimated this year at somewhere at 815,000. Does that sound, Mr. Speaker, like a livestock industry that hasn't had support? I'll compare that record, Mr. Speaker, any day to the NDP record.

I think the same kind of arguments, Mr. Speaker, in principle certainly, the same kinds of analogies could be made in the slaughter steer and heifer business although they may not be strictly analogous. The intent of the original legislation was to provide farmers with an additional tool to enhance livestock feeding in this province which just makes so much sense.

The issue simply boils down to this, Mr. Speaker. Either you believe in the prairie basin — processing more in the prairie basin, putting feed grain into steers, putting feed grains which we produce in great abundance here into hogs, into slaughter heifers — either you believe in that or you do not. Either you believe in raising the animals here and slaughtering them here and processing them here and having the jobs here and the economic developments here, or you do not. Mr. Speaker, this caucus, this government, believes that there is great economic wealth to be created by this kind of initiative.

The hon. member for Pelly, the hon. member for Quill Lakes, have nothing but . . . nothing to gain, Mr. Speaker. They have no end of up-side potential in their areas because of this kind of legislation and because of recent announcements. I would urge them once again to lend some support; for a change, reverse NDP dogma, reverse their classic view of not supporting the livestock industry to one of supporting it, and vote for this legislation, Mr. Speaker.

SOME HON. MEMBERS: — Hear, hear!

Motion agreed to, Bill read a second time and, by leave of the Assembly, referred to a committee of the whole later this day.

The Assembly resumed the adjourned debate on the proposed motion by the Hon. Mr. Taylor that Bill No. 139 — **An Act to amend The Public Health Act (No. 2)** be now read a second time.

MR. SHILLINGTON: — Thank you very much. Some parts of this Bill are relatively routine, such as prescribing the minimum of toilets in public places, and so on. I assume that comes about through some specific problem with some regulation.

One part of the Bill though, Mr. Speaker, is not routine. And I know this doesn't cause rioting in far communities, but I find these sections objectionable. It gives a medical health officer powers of search that exceed that given to a peace officer under the Criminal Code. And I find that objectionable in section 27.

I don't suppose we're likely to get to this thing tonight. I would hope — but I wish the Minister of Health were in his seat — I would hope that the government would take a look . . .

MR. SPEAKER: — I would ask the members to not refer to whether members are in their seat or not.

That's not part of this debate and it's absolutely ruled out under *Beauchesne's* and under our rules of order.

MR. SHILLINGTON: — I didn't intend to contravene the rules or embarrass anyone in making those comments.

I do want to say though, that I find this section objectionable. I find the powers given here objectionable.

I'm just going to outline them very briefly. The medical health officer is given the power to enter any building, he's given the power to make a search, and he can do so with a dwelling as well. It also provides that a medical health officer can obtain a warrant. And in the subsection which follows, it then says nobody '... shall obstruct any person who's authorized to make an entry.' I take that to mean that it's an offence to obstruct the medical health officer, even though he doesn't have a warrant.

I find those sections objectionable. I think the balance between civil liberties and the due enforcement of justice, as set out in the Criminal Code, has been struck with some degree of difficulty and, I think, with a fair degree of balance. These sections, which are drawn often by officers in the Department of Health who, I think, Mr. Speaker, have no appreciation of the importance of civil liberties in dealing with health officers — I find these sections objectionable. I do hope the government will take a look at this before we come to deal with them.

As I said, I'd be surprised if that were today.

HON. MR. McLEOD: — Mr. Speaker, just a couple of comments as a result of those made by the member for Regina Centre. He was referring to the fact that there would be a need for some answers to certain questions as it relates to specific sections of the Bill. Certainly, the Minister of Health will answer those in committee, and I want to give him that assurance before we proceed to voting on second reading.

Motion agreed to, Bill read a second time and, by leave of the Assembly, referred to a committee of the whole later this day.

The Assembly resumed the adjourned debate on the proposed motion by the Hon. Mr. Lane that Bill No. 135 — **An Act to amend the Mentally Disordered Persons Act** be now read a second time.

Motion agreed to, Bill read a second time and, by leave of the Assembly, referred to a committee of the whole later this day.

The Assembly resumed the adjourned debate on the proposed motion by the Hon. Mr. Lane that Bill No. 140 — **An Act to amend The Public Trustee Act (No. 2)** be now read a second time.

Motion agreed to, Bill read a second time and, by leave of the Assembly, referred to a committee of the whole later this day.

COMMITTEE OF THE WHOLE

Bill No. 118 — An Act to assist NewGrade Energy Inc. in establishing a Heavy Oil Upgrader in Saskatchewan

(1945)

Clause 1

HON. MR. SCHOENHALS: — Mr. Chairman, I'd like to take this opportunity to introduce the

officials who are with me to the committee. On my immediate right is Bob Reid, the deputy minister of Energy and Mines; on my left is Jack McPhee, the manager of the special projects group; and behind me is Gary Cooper, a special project analyst.

MR. TCHORZEWSKI: — I just want to . . . A number of us will have some questions to ask of the minister and his officials, through the minister, on this legislation, and I want to first of all make a comment. There are a number of points that we want to make about the Bill through the process of our discussion here this evening.

First of all I want to make the point that the prospect of a viable — and I underline viable — heavy oil upgrader for Regina is a positive one. And I want to indicate that. There are a lot of benefits that could come out of it, not only for the citizens of Regina, but for the development of a resource that's non-renewable.

The involvement, I want to add, of the co-operative refinery is one of the features of the proposal that is here that I find quite acceptable. I wonder, and I will refer to that later, about the kind of financing arrangements that are there, because I think the public and the taxpayer ought to know what the implications of that might be on his pocket-book.

If the refinery comes about — and I take the government at its word — and if indeed it's viable, it's going to be a welcome addition to strengthen and diversify the provincial economy. Because every time we can process a raw resource that we have here to a further stage in its development, I have always believed and I still do and will continue to believe that that's the kind of thing we should be doing.

So to the extent that this project does indeed provide and stimulate jobs, it indeed will be welcome.

The difference between hogs . . . between Peter Pocklington and the co-op refinery in Saskatchewan is very distinct, Mr. Minister. I want you to keep that in mind. And if I have a choice between helping out a people-owned co-operative in the province of Saskatchewan and someone who some other province will have nothing to do with, who's a wealthy person, and give him a \$10-million gift, you can be assured that my choice will be the co-operative — and have no doubts about that.

Now the reason I made those comments, Mr. Chairman, is because I think it's important to underline, and all members must know, and particularly those government members in this House and the cabinet . . . because some of them were out canvassing in the Regina North East by-election and people were telling them that jobs and job security is a major concern and a major issue, particularly in this city which has lost — and I want the minister to know this — over 4,000 jobs in the past 12 months. As unbelievable as that might sound, even Statistics Canada reports of the present Conservative government in Ottawa says that, and that's where I take my statistics from.

Now the members opposite, I know, talk about a lot about job creation. Every day we ask the Premier in the House questions related to jobs, he gets out and makes the same well rehearsed speech about all the jobs that have been created. I'm not so sure that the kind of creative accounting that is used in counting up those jobs is washing any more. It doesn't wash with me; it didn't wash with 71 per cent of the voters in Regina North East; and it won't wash with the majority of the voters in Saskatchewan at the next general election.

The high level of unemployment tells you, Mr. Chairman, that the record of this government with regard to jobs has been a dismal one, a very dismal one. And it's very little comfort to 40,000 or 38,000 people in Saskatchewan to be told that there are going to be 80 new jobs created by the refinery, permanent jobs, when there are 38,000 people out there not able to find work because of the kind of poor record that we have had here.

And I want to indicate that prior to the by-election in the North East, there was a pamphlet that was delivered to all of the households in the constituency of North East and it said, 'Oil upgrader: a promise kept.' It had a nice picture of the Premier on the front. It had another picture of the Premier

and Wilma Staff, who then yet was not the candidate but soon was to be the candidate in Regina North East. And it said, ward 7 alderman, when indeed it was ward 5.

Some ministers . . . and I don't know whether the minister who we're dealing with here today was involved in distributing these pamphlets. Along with the pamphlet came a little piece of paper obviously photocopied in some ministers' offices, about 3 inches by 3 inches, on which it said, if you're looking for a job in the co-op upgrader, phone one of the following two numbers. I have yet to hear from someone who's had a positive response. I want to ask the minister how many jobs have been coming about as a result of the inquiries which people have made on the telephone numbers which were provided on that sheet of paper.

HON. MR. SCHOENHALS: — Mr. Chairman, recently NewGrade have appointed their managing contractor. The managing contractor has been already in negotiations with all the engineering firms and procurement, all the areas in which there are opportunities. People now understand exactly when and how to become involved. The phone numbers that you indicate have been responded to. Obviously, as the project moves along and employment opportunities arise, those people have . . . A record has been kept of the calls, and they will be contacted at the appropriate time. Obviously at this stage there have been no jobs, or at least very few jobs, because the project is just beginning to wind up.

MR. TCHORZEWSKI: — Can you tell me, Mr. Minister, how many — and I know you can't have that information exactly — but how many inquiries have been received in response to the telephone numbers which were left behind?

HON. MR. SCHOENHALS: — Mr. Chairman, we don't have an exact number. We would suggest a range between 100 and 200. Possibly just in response to the member's comments on job creation, rather than getting into a long debate on the history of job creation in this province, I would send him a copy of the *Leader-Post* article of earlier this week which has in fact a strange semblance picture in it, and maybe he could read that and he would get in touch with . . .

Miss, would you like to take that over and we'll straighten some of this up?

MR. TCHORZEWSKI: — I want to tell the minister I had cut this out and I do indeed have the original, but I'll keep this one as well.

The reason I raised the job creation statistics that the government keeps talking about, Mr. Chairman, is simply because they are false statistics. And let me give you an example. Let me give you an example, Mr. Chairman. They have counted in those numbers maintenance people who used to work for a Crown corporation or for government, who were told they no longer are going to be working for that Crown corporation because we're going to use a private contractor to do the maintenance.

So what has happened is that many of those people — not all of them because this privatization doesn't work that well — are doing the same work but now are working for the private contractor, and the government counts those as new jobs created. And so I suggest that people who write some of these articles sometime should make some inquiries with respect to that. But that's the story of the job creation situation.

Mr. Minister, let's go back to that . . . Oh yes, I didn't think I had it but here it is. It's this little green piece of paper. It said: for further information on the upgrader project contact 924-2484. There's a Les Court listed here. I don't know whether that's an executive assistant or not — and the other one is 949-5206.

The minister says there have been a number of inquiries and I thank him for the answer. Can the minister tell me when some of these people might expect to hear about being able to get some job offers?

HON. MR. SCHOENHALS: — By the spring of '86 we would expect to see major construction activity with the associated major job opportunities. Prior to that there will be some smaller numbers of jobs involved in site preparation and those types of things. But the primary impact will become very evident in the spring of 1986.

MR. TCHORZEWSKI: — Thank you very much, Mr. Minister, the thing that concerns me is that prior to the last week of October, somehow politics took precedence over the lives of people, and the people who were left these little slips . . .

Well, you may want to make a strange expression on your face, but this is serious business. When you have someone out there who's been looking for a job for two years, maybe you should go talk to some of those people some time. I have, and I know how they feel. And I know the kind of hurt that's taking place in some of those families who are not getting the kind of adequate clothing and other things because the parents are unable to find a job. And you may think it's funny and you may want to laugh about it, but I don't think it's funny.

SOME HON. MEMBERS: — Hear, hear!

MR. TCHORZEWSKI: — And I don't think it's funny that representatives of this government would go around home, door to door, and insinuate or suggest that all the people had to do simply because it was just before a by-election call, was phone this number and there would be a job, because that's the impression that your representatives are leaving there. And that's playing politics with people's lives, Mr. Minister, and that's wrong.

And no government, I don't care whether it was our government or your government or anybody else's, has a right to do that with people's lives. There are children in those homes who can't have some of the things that other children have, because they are unemployed.

Mr. Minister, I regret to hear that some of the hopes that you had raised have not been met, but in future there are hopes. And to that extent, to that extent I welcome, as I indicated, the upgrader because indeed there will be some construction jobs, and that's good. And there will be some permanent jobs, and that's good. And there will be the refining of a resource which I believe should be refined in Saskatchewan.

And I hope that the same kind of result happens with the Husky upgrader at Lloydminster, which now there seems to be some doubt about. But I do understand that before the end of this month is up, we'll hear more about that.

I want to ask some questions about the guarantee of jobs to Saskatchewan people, because earlier in this sitting of the House it was indicated in here, and then again reported in the press, and this was a reference to the upgrader work that's being done at Lloydminster, Husky's.

And the report in the article said:

The amount of engineering work that will be awarded to Saskatchewan firms for Husky's \$3.2-billion Lloydminster upgrader is 'pathetic'.

I want to ask the minister what guarantees can he give this House that jobs will be guaranteed for Saskatchewan people on this upgrader, both in the construction phase and the in the operation phase?

HON. MR. SCHOENHALS: — Mr. Chairman, in answer to the question which followed all that other garbage, NewGrade has a Saskatchewan-first hiring policy that it will follow to the extent possible. We believe that we will be able to source approximately 66 per cent of the construction jobs from Saskatchewan and virtually all of the operation jobs.

And I would suggest to the member, because he's new in this House, that he does not have the right to stand up in his arrogant attitude and accuse the people on this side of the House of laughing at

unemployment. That is patently untrue, has nothing to do with what's happening here, and I would suggest that he should stand up and withdraw that remark.

If he thinks he's the only person in this Chamber who has ever talked to or has any concern for the unemployed, he is patently wrong. The people on this side of the House have every bit as much concern as he does. I hope he is concerned. If he is suggesting that the people in Regina North East that he talked to are not interested in making those phone calls and trying to find work on this upgrader, I wish he would stand up and say so.

(2000)

The distribution of the pamphlet was an awareness exercise. The phone numbers were distributed throughout the entire city. It is the intention of NewGrade, as I indicated, to source from Saskatchewan wherever possible. And as I said, 66 per cent of the construction jobs and virtually all of the operation jobs will in fact be Saskatchewan.

SOME HON. MEMBERS: — Hear, hear!

MR. TCHORZEWSKI: — I want the minister to know that when I see unemployment in Saskatchewan to the extent that I see it now, I'm going to stand up in this House as often as I think I have to and talk about it.

SOME HON. MEMBERS: — Hear, hear!

MR. TCHORZEWSKI: — And the minister and his colleagues, though they may disregard that . . . I have no doubt that they will disregard that because they have disregarded unemployment in this province for three and a half years.

MR. CHAIRMAN: — Order. Order! The debate before the House is not on the government's record on unemployment, and the debate before the House does not pertain to what they may or may not have distributed before a by-election. So I would ask the hon. members on both sides of the House at this time to please stick to the topic.

MR. TCHORZEWSKI: — Mr. Chairman, the issue before us in this House is dealing with the oil upgrader and the NewGrade Bill. One of the arguments made by the government opposite is the jobs that it will create. And I have stated that's good. I have stated that's good, providing that there is some guarantee that those jobs will be provided to Saskatchewan people. And I think that's a valid point, because the record of this government with regard to creating jobs and providing contracts to Saskatchewan people and Saskatchewan contractor is a bad one.

I mean, we have had how many schools built in Regina in the last three years? The Minister of Education will know, and not one of those schools has been built by a Saskatchewan contractor.

So when we talk about the upgrader, Mr. Chairman, I think it's valid to use that kind of an example to show a concern, to show a concern about whether the same kind of principle will apply in this new project. And that's why I asked the question of the minister: what kind of guarantees are there?

I find it strange, Mr. Chairman, that his comments do not concur with the House Leader who is also quoted in the same newspaper article here in the *Leader-Post* on December 6th:

‘I would guess that we would run out of Saskatchewan people and have to import people to fill the positions,’ Berntson later told reports. That applies to both skilled and unskilled people.

Now are you telling me, Mr. Minister, that out of 38,000 people unemployed in Saskatchewan today, your government doesn't think you can find enough Saskatchewan people to do the work on that upgrader?

HON. MR. SCHOENHALS: — Mr. Chairman, the fact of the matter is that in terms of pipe fitters and electricians, there will not be enough in the province to handle the opportunities that will be created here.

I think the member opposite has introduced some discussion on jobs. I would indicate some facts which might improve his perception of the whole thing. In the past 12 months, 14,000 new jobs have been created in Saskatchewan, including 6,000 in the trade sector, 4,000 in finance, and I think it's safe to say that the project that we're talking about will greatly increase that number.

I don't have the exact figures from Regina, but I will give you some figures from Saskatoon. From October '84 to October '85 the number of jobs in Saskatoon increased by 11 per cent — 11 per cent increase. The provincial average is 3.5 and the national average is less than 2 per cent. Saskatchewan led the way in job increases and . . .

MR. CHAIRMAN: — Order, order. Once more the participants in the debate are wandering from the topic. We have just heard a dissertation about the province's unemployment rate. That is not the issue before the House. I would ask members on both sides of the House to please confine their remarks to the Bill itself. Thank you.

HON. MR. SCHOENHALS: — I accept your ruling, Mr. Chairman. You're absolutely right.

Once again, in answer to the question, in the terms of pipe fitters and electricians, we estimate that we will outstrip the Saskatchewan supply on this project.

MR. TCHORZEWSKI: — That may be, Mr. Chairman, especially because of the fact that many of our skilled people have had to leave to find jobs elsewhere. I want to ask very specifically . . . That's pipe fitters and people of that kind of trade training.

I ask you: why would the House Leader of your government indicate that you would also have to import unskilled people to work on the project?

HON. MR. SCHOENHALS: — Mr. Chairman, I am not familiar with the definitions that the House Leader was using in the discussion, and consequently I will simply indicate labourers, which I would assume are unskilled, we believe will in fact be filled from Regina, primarily. We see 284 potential opportunities, and we believe they can all be filled, certainly, from Regina, and certainly if not from Regina, from Saskatchewan.

MR. TCHORZEWSKI: — Thank you, Mr. Minister. I'm glad to hear that assurance, because I really was concerned about the comments of your House Leader because I assumed that he speaks for the government. But if you can give us that assurance, I will accept it.

I just want to point out again that before I sit down for the time being that once again, the 80 permanent jobs, which are going to be created according to your figures, are certainly going to be welcome by those people who are able to get them. But I want to say again that your government has to do more, much more, when you see that there are something like 8,000 people unemployed in Regina. I think that's a clear indication that something has gone wrong. There have been more jobs lost in this city in the last three and a half years than there have been created, and although this will go some small way into changing some of that, it's not going far enough.

HON. MR. SCHOENHALS: — Mr. Chairman, again it seems to be consistent with the member for Regina Centre. The member for Regina North East seems to feel that the province ends at the Qu'Appelle Valley. The fact of the matter is that this project, which will lead to the replacement of Alberta crude that has flowed to the upgrader for years with Saskatchewan heavy and medium crude, this project will result in over 1,000 permanent jobs in the oil patch. And I think those jobs in terms of permanent, long-term employment are equally as important as the 80 permanent jobs that will be created at the upgrader itself.

However, we accept that as long as there is one person unemployed who wants to work in this province, the government has a role to play and will work with the private sector and any other sector to create the jobs that these people can enjoy.

MR. KOSKIE: — Thank you, Mr. Chairman. Mr. Minister, I want to review with you the method of putting together the proposal that you're proceeding with in building the new upgrader. I'm wondering whether, in putting together a proposal, whether you attempted to get some further private investment in conjunction with the Consumers' Co-op in developing this project.

We'll get into the details of the financing. But you are dedicated of course to the opportunity of all citizens of Saskatchewan being able to invest. And I am rather surprised that when it comes to building a new venture of the size and the magnitude of the upgrader, some \$650 million, that there seems to be a substantial lack of the investment opportunity or spirit being portrayed in the financial package that has been put together.

You have promised to this province when you were elected that you were open for business. And so far all that we have seen produced in respect to the open for business policy was your announcement yesterday wherein you indicated a package with Mr. Pocklington, that if he were to put together a package, that he would get some \$10 million grant from the taxpayers as an incentive.

I want to ask you whether or not you gave any consideration to exploring the opportunity of private investment as a partnership with Consumers' Co-op or some private investment by the people of Saskatchewan? I note here what you're doing is that the guarantees are very substantial by the taxpayers of the province. And in Saskoil, where we owned it completely as a Crown corporation, you felt that many people should have more direct public participation.

And so I'm wondering whether or not you explored the possibilities of giving the straight entrepreneurs that want to invest, for instance, in . . .

AN HON. MEMBER: — The buccaneers of private industry.

MR. KOSKIE: — Yes, the buccaneers of private industry. Why haven't they come forward? Where is the open for business policies of your government? Because clearly a significant factor of this package that you're putting together is that the taxpayers of Saskatchewan and Canada combined are guaranteeing the entire investment.

HON. MR. SCHOENHALS: — Mr. Speaker, we did in fact look at the possibility of other investors in the project. It became evident as we went through the negotiations that it was imperative to the co-op that they maintain control of their refinery. The refinery is a very integral part of the co-op system. I think it's safe to say that it has subsidized various other components of that system over the years, and the co-op people did not want to have any possibility of losing even partial control of that refinery.

The project as an integrated project makes the greatest amount of sense. The refinery is important to the project. In fact, it is what makes it such an excellent project in today's market, and I suppose the other investors that the member wants are the thousands of co-op members throughout western Canada. We believe that this structure is probably the best structure to meet the needs of this project and the needs of the co-operative movement.

MR. KOSKIE: — Well, when you speak of the co-operatives wanting to maintain control of their refinery and the integration of the two, I ask you at the present time and under the present arrangement, what equity does the Government of Saskatchewan have as compared with the equity of the co-op, in the upgrader?

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HON. MR. SCHOENHALS: — Mr. Chairman, the upgrader itself, which we will refer to as the NewGrade entity, the co-op and the government each have 50 per cent of the voting shares in that entity. The co-op continues to be the sole owner of the refinery and to exercise control there.

MR. KOSKIE: — I was under the perception that there was going to be 20 per cent equity position in respect to the upgrader. And it's my understanding that that total equity is being financed by the Government of Saskatchewan. Out of that is retained 15 per cent by the Government of Saskatchewan and 5 per cent to consumer co-op. Is that not the correct arrangement? And is it not true that the 5 per cent that is equity of consumer co-op, is it not in fact true that the province is indeed putting up that money, and that the consumer co-op will only pay that back if and when there is a profit made in respect to the operation?

HON. MR. SCHOENHALS: — Mr. Chairman, I think the point is that the equity makes up 20 per cent of the financing of the project. Of that we are putting in 15 per cent, co-op is putting in 5 per cent. The 5 per cent that they are putting is being loaned to them; it will be repaid prior to co-op . . . with interest, repaid with interest before co-op gets any money out of the project.

The original project which we talked about in the House had a 10 per cent-10 per cent split. When we got into the negotiations it became evident that the involvement of the refinery was a very significant portion of the viability of the project. Somehow we had to account for that involvement, and consequently, the rearrangement that we have in front of us. I think, as I indicated, that it is a reasonable arrangement. The co-op continue to control their refinery and the upgrader is financed in the methods we've discussed.

MR. KOSKIE: — Well is it correct that under the financial arrangement that the risk capital is entirely the province of Saskatchewan and/or the guarantees put forward by the federal government? Is it correct that no other dollars at this time is put in by any other source?

HON. MR. SCHOENHALS: — That is correct, Mr. Chairman.

MR. KOSKIE: — And under the arrangement of the equity, the 20 per cent that you indicated, why did you feel, having put up that amount of money, that the voting should be on a 50-50 basis? Under what rationale did you arrive at splitting the voting share equally when the consumer co-op puts virtually no investment into it, virtually no risk? The total risk is the taxpayer of Saskatchewan. So I ask you: under what rationale do you have the splitting of the voting shares 50-50?

HON. MR. SCHOENHALS: — As I indicated in my previous answer, Mr. Chairman, the rationale is that the co-op have dedicated their refinery to the project. I think anyone even remotely familiar with the co-op movement in western Canada knows that that refinery is an absolutely essential portion of the co-op movement. The inclusion of the co-op refinery in the project has two major impacts, if you will. One is to reduce the capital costs to some extent, and the second is simply to make the project a great deal more viable than a stand-alone concept and, consequently, integration and the dedication of the refinery is the rationale for the structure that we're discussing.

MR. KOSKIE: — A considerable amount of work was done prior to the official opening of the upgrader. I was wondering who did the private studies that were done in respect to the viability of the upgrader.

HON. MR. SCHOENHALS: — Mr. Chairman, the prime or leading people in the studies that led to the finalization of the project were Kilborn (Saskatchewan), and Fluor Canada, working in a joint venture. The NewGrade staff obviously played a role, and there were a number of other specialized consultants, and if it is your wish to have those I can provide those to you. But Kilborn-Fluor consortium were the main group that did the work.

MR. KOSKIE: — I would appreciate it if you would provide the list, if you would. Can you indicate the total cost of the studies that were done prior to a decision being made?

HON. MR. SCHOENHALS: — Mr. Chairman, we'll prepare a list of those other subs and send them across to you.

In phase one of the project, to the end of October, we had spent \$8.217 million.

MR. KOSKIE: — And who paid for those studies?

HON. MR. SCHOENHALS: — Mr. Chairman, NewGrade, the entity that is the upgrader, NewGrade paid for the work that has been done. The 8-million-plus dollars that I mentioned, the funding for that is made up of 50 per cent Saskatchewan, 40 per cent Canada, and 10 per cent co-op.

MR. KOSKIE: — Mr. Minister, this is a major investment and certainly a major risk is being taken by the taxpayers. And as we have said on this side, certainly we welcome the objective of setting up an upgrader and certainly we hope it to be successful.

What I was wondering is: are you prepared to table any of the feasibility studies in order that we might have an opportunity to review in detail the feasibility studies on which you based your decision to proceed and the very substantial investment or guarantees that the taxpayers will be making?

HON. MR. SCHOENHALS: — Mr. Chairman, I personally delivered to the Leader of the Opposition's office all the studies that took place excluding some that have a commercial confidentiality that we simply couldn't provide. But we have, I think, been very open in providing the work that has been done and I believe if you check with the Leader of the Opposition, he can provide you what we have provided him.

MR. KOSKIE: — Yes. The construction of the upgrader itself, Mr. Minister, and you may have made this in your announcement, but I just want it for clarification. The basic construction period, once it's commenced, what period of time do you expect it to take for the completion of it? When is it likely to be operative?

HON. MR. SCHOENHALS: — We expect it to be operative in the summer of '88. Possibly I can indulge the committee and just mention to you I understand that some of the material that we did in fact provide the Leader of the Opposition did have some confidentiality and he has honoured that and consequently you may not have seen it. And I appreciate the fact that he has honoured that confidentiality, and did not mean to imply that somehow the communications were not right in the party or anything like that.

MRS. CASWELL: — All right, Mr. Minister, I would like to begin my remarks, I might call it in a similar vein, but I guess what I want to say in a similar field as the member from Regina North East and that is to say although I don't share his view, I would like to have the privilege of wandering so far afield in this particular project.

First of all I would like to congratulate the minister for facilitating the organization and the equipment of the co-op, in working with an organization such as the co-op in Saskatchewan which is a very strong economic unit in this province, and in my constituency it's very important. There are people who have worked in the co-op movement who understand the necessity and the value of the co-op, who understand that it was a group of little people getting together to compete in the market system. And I think it's very positive, Mr. Minister, that we are so concerned about employment that we are looking for jobs as long as they're honest jobs, whether they're from the co-op, or whether they're from someone who may or may not have been involved in the political process in Canada. And I think that the difference, Mr. Minister, from the philosophy that's indicative when we talk about unemployment from the government benches and those in the opposition, is that the New Democrats, who are the NDP, of course, are so concerned that they appear to be the party of the poor and the party of the unemployed, and so they look at the poor. And yes, they find people who have been unemployed for two years, just as there is in my riding and I'm sure every riding in

Saskatchewan.

But they look at those people who are unemployed and say, aha! This is political fodder for the gloom and doom party. We look at these people and say there is a problem and we must be the party of solutions. So as I was saying, I am having the same liberties as the member from Regina North East, and surely you people believe in fairness.

And so when I hear them talking and describing what it's like to be unemployed, I am sure that all of us in government side could equally speak with such a sanctimonious tremor in our voices about the unemployed. But we seek to use our energies to think of solutions, which is jobs.

And like I say, I am so happy to speak on this issue because I think it's very important that we are perceived as responding to the unemployment. And I can't stress strongly enough how valuable it is that we have used the co-op, and how much the members in my constituency appreciate that we have used the co-op and refuse to be stuck by doctoring their philosophies.

(2030)

And also, Mr. Minister, I congratulate you on not playing politics, because if we were going to just play politics, clearly we would spend this money in Saskatoon where one could have conceivably argued that we have a few more members. But because we recognize that the city of Regina is important, unemployment is serious and the city of Regina is important, and we care about people no matter what city they are in, I think that it's important and it's valuable. And I congratulate that our government is so concerned about the unemployed that they don't care if it's a co-op or if it's Gainers who's creating jobs.

We listen to them because we care about the unemployed, because we don't want to be the kind of party whose success depends on the failure of others, whose success depend son the degradation and poverty of others. We don't want to be the party who says, well we have to create some doom and gloom and some unemployment and some suffering so they have to look at mother state and be looked after. We want to be conceived as a party of solutions.

I see that this Bill is very straightforward in general. I would like to, on behalf of the co-op members in my constituency and on behalf of people who are definitely concerned about the unemployed, whatever city it is, to congratulate you on the effort that you have put in in making this project.

SOME HON. MEMBERS: — Hear, hear!

HON. MR. SCHOENHALS: — Mr. Chairman, I'd like to thank the member for Saskatoon Westmount. I think she has hit on the important element of this project, which is the job creation element — the thousands of jobs in the construction phase, the 80 permanent jobs at the site when the upgrader is operative, and the thousand-plus permanent jobs that will be created in the oil patch.

I think that the work that we have gone through with the co-op folks in putting this package together she's alluded to, and there is no question it is a strong commercial organization in this refinery, I think is the flagship of that organization. I think what we have done is guaranteed its viability well into the future, and I appreciate the comments of the member.

HON. MR. BLAKENEY: — Mr. Chairman, and Mr. Minister, during the second reading of this debate, I asked the minister whether or not he was prepared to table in the legislature the agreements upon which this proposed project is based. It's a very large sum of money that he is asking that the taxpayers risk, well over \$300 million. And I am aware only of a revision of a memorandum of understanding, a one-page document. I'm aware of that one.

I'm aware of no other agreements or undertakings that have been assumed by the Government of Saskatchewan or the Government of Canada or Consumers' Co-operative Refinery Limited, and I ask the minister whether or not he will, firstly, indicate what agreements have been entered into or

proposed to be entered into; and secondly, whether or not he will table in the legislature, copies of the agreements.

HON. MR. SCHOENHALS: — Mr. Chairman, there will be three agreements that will be signed. The ownership agreement will be signed between the Federated Co-operative and the Government of Saskatchewan. It will contain some commercially sensitive elements which will not be made . . . and consequently will not be made public.

The operating agreement will be signed between NewGrade and the refinery. It as well obviously has commercial components and will not be made public.

HON. MR. BLAKENEY: — Mr. Chairman, and Mr. Minister, are you advising us that the only agreement that will be made public is the agreement to finance, and no agreement that deals with either the ownership of the project, in which you're asking us to guarantee more than \$350 million, or the operation of the project, in respect of which you are asking for a guarantee of more than \$350 million?

HON. MR. SCHOENHALS: — The guarantees are all accounted for in the financing agreement which, as I indicated, will be signed with the approval of the Lieutenant Governor in Council. The others will have commercially confidential material between the licensor, any number of things — consequently no, will not be public.

HON. MR. BLAKENEY: — Mr. Chairman, and Mr. Minister, I just want to be sure that I understand what you're saying. You're saying that you wish this Bill passed by which the Crown will guarantee something more than \$350 million, that it's for a project that there will be an agreement covering the actual guarantee, and that will be made public, but that any information about the ownership of the project, who will operate the project, and unnecessary details about making any judgement as to whether the project is sound or unsound, will not be public.

HON. MR. SCHOENHALS: — Mr. Chairman, as the Leader of the Opposition has indicated, and as I indicated, the ownership and the operating agreements will not be made public. That is not for any particularly clandestine reasons. It has to do with commercial confidentiality. It contains elements of the operation of the refinery that co-op obviously don't want their competitors to be aware of. There are things about the licensing process and so forth.

However, if there is a sensible way that we can provide the non-confidential elements of the agreement, we have no problem with that. But at this time, the co-op have asked that those two agreements remain confidential. They have not been signed as yet. We are in the process of dealing with them in their final form, and as of this stage we have agreed to honour that request for confidentiality.

HON. MR. BLAKENEY: — Mr. Chairman, and Mr. Minister, what's in the agreements is at your option. If there are confidential aspects, they can obviously be covered by a separate agreement. Everybody who has drafted the agreements with respect to some of these major projects knows that. And you have opted to select some of the confidential portions and put them in the overall agreement so that you can say, I won't publish the overall agreements. That doesn't reflect very much either credit on yourself, if you want to keep them secret, or skill on the party of your draftspeople if they couldn't find a way to segregate the confidential matters.

Let me ask one simple question. The guts of this deal is one whereby NewGrade will build an upgrader, will buy oil, some of it medium and some of it heavy oil, and will treat it chemically, upgrade it in their upgrader, and then will sell it, and will sell it, presumably, mostly to Consumers' Co-operative Refineries Ltd. I ask you: do you have agreements whereby Consumers' Co-operative Refineries Ltd. is obligated to buy the product of the upgrader?

HON. MR. SCHOENHALS: — The agreement indicates that to the extent that co-op is making refined product, they must use the syncrude produced by NewGrade. Excess syncrude is sold as syncrude in the market-place. If co-op were not making refined product, they would not be committed, and the syncrude would be sold in the market.

HON. MR. BLAKENEY: — Mr. Chairman, thank you. I would ask you: what is confidential about that information? It's obviously vital, and it's not in the financing agreement. I'll be sure of that. It's only in the agreement which you say is confidential.

Mr. Minister, with respect to this, and obviously this is the absolute guts of the agreement. If Consumers' Co-operative Refineries Ltd. can purchase competitive feedstock. Like sweet crude from somebody else, from Interprovincial Pipe Line, for example, the one that goes past their door, are they permitted to do so, and is NewGrade obligated to meet the price of Interprovincial plus the \$2-a-barrel differential, which I believe is agreed upon as the quality premium which the syncrude is worth over and above light, sweet crude? Does the refinery have the right to buy light, sweet crude from Interprovincial Pipe Line or must they buy the syncrude?

HON. MR. SCHOENHALS: — Well, the agreement and the concept is that the co-op refinery will use syncrude. The integration of the upgrader with the refinery simply will not allow it to switch crudes back and forward. They will be tied to the upgrader, and the syncrude will be their feedstock.

HON. MR. BLAKENEY: — Mr. Chairman, and Mr. Minister, if that be the case, then what is the liability of NewGrade to Consumers' Co-operative Refineries Ltd. if for any reason NewGrade is unable to supply the syncrude, if for any reason, through process problems or otherwise, the supply of syncrude to the refinery is in jeopardy?

(2045)

HON. MR. SCHOENHALS: — Mr. Chairman, in the case of an extended shut-down, which I assume is what we're discussing, the NewGrade is responsible for unhooking the interconnections, if you will, with the upgrader and allowing or making it possible for the refinery to hook back into the light crude. And the cost of that retrofitting, if you will, would probably be in the range of \$1 million to make that happen. However, it should be pointed out that Federated Co-operative Refinery will be the operator of both components; so it's in their interest to keep both elements running, and we don't anticipate a big problem. But that is the arrangement, in case one should occur.

HON. MR. BLAKENEY: — Mr. Chairman, and Mr. Minister, this is a major industrial project, and any major industrial project has many hazards, particularly since this is not fully proven technology. Let's put it that way. I don't mean to suggest that there's a high hazard in the technology, but there aren't any plants like it in Canada, let's put it that way, and not many in North America; and none which use the blend of crude of Saskatchewan heavies and mediums which will go through here — this upgrader — so there are some hazards.

But on viewing the material which appears before us, there seem to be two large hazards and that is what is called the crude quality differential, the difference between the value of light, sweet crude and heavy crude, and the general level of crude oil prices, what in the documents is called the right rate of crude price increase.

And so far as I can appreciate the material, if the spread between the value of light crudes and the medium and heavy crudes narrows very much, the economics of the upgrader become immediately hazardous, and if the price of crude drops very much, the economics of the upgrader become rapidly hazardous. Would you agree with each of those statements, dealing first with the spread between light and heavy crude — what I'm calling crude quality differential — and the second one, the level of crude oil prices?

HON. MR. SCHOENHALS: — Let me make just three quick comments, Mr. Chairman. In terms of

the technology, I'm not sure what the definition of fully proven is, but in general terms, we would suggest that the technology is closer to fully proven than not fully proven. There are, in fact, 26 facilities of this nature operating throughout the world and I believe the technology is fairly sure. And we have done extensive testing on the crude streams that will be used in the upgrader.

In terms of the two financial areas, I would suggest that the differentials is the prime concern of this project. Absolute price of crude does not play near as significant a role in this project. It's much more dependent on the differentials.

HON. MR. BLAKENEY: — Thank you, Mr. Minister. You advise that there are 26 such projects operating. Presumably some of them are in North America, and presumably some of them have been examined in general terms, both physically and economically, in order to ascertain their commercial viability.

Would you advise us what crude quality differential has been found to be necessary in a half a dozen of these 26 — pick out a couple — to make the project viable? And I would appreciate it if you could state the differential in Canadian dollars.

HON. MR. SCHOENHALS: — Mr. Chairman, in the case of the project here, we believe that studies show that a \$4 differential in 1985 dollars will retire the debt and pay the operating costs of the project. Anything above and beyond that, of course, starts to return profits to the owners.

HON. MR. BLAKENEY: — Mr. Chairman, and Mr. Minister, thank you for telling me what you believe about this project. What I was asking about is, what have the 26 who are already operating shown? Pick out one or two of those and tell me, if you would . . .

AN HON. MEMBER: — Pick out Union Oil.

HON. MR. BLAKENEY: — Union Oil then, if you would — Union Oil, who've got some operating in California. On what sort of a differential do they operate? What do they need in order to break even, and what do they need in order to make a profit?

HON. MR. SCHOENHALS: — Mr. Chairman, the question is difficult to respond to because of the difference in the structure of the units we're familiar with. The ARDS units, which are the upgrading component, have been built into existing refineries much as this, but they are operated as part of the total complex. The difference, of course, is that in this case the NewGrade economics are separate and apart from the co-op refinery. However, we have had significant discussion with the Phillips people, who operate two of these units in Texas as part of refineries. They are extremely pleased with the technical and the economic performance of the units. So I'm not trying to dodge the question, but I can't put a dollar value on it because of the different in the economic structure of the units that we're familiar with.

HON. MR. BLAKENEY: — Mr. Chairman, and Mr. Minister, what studies or other support documents to justify and support the decision which you have made are you prepared to table in the legislature?

You have made some available to me on a confidential basis. I have not shared them, because I was not clear on what your view of confidentiality was. And I regard it as one which suggested that I should not be making them available to the public or the press or to others who might make them more broadly known.

Nonetheless, as I peruse them, I don't see anything which is particularly commercially sensitive, although since I don't know the business aspects, I perhaps wouldn't recognize it if I saw it.

What I'm asking is: what are you prepared to table? I'm specifically asking you to table everything you are prepared to table, by way of agreements, draft agreements, and studies.

HON. MR. SCHOENHALS: — Mr. Chairman, let me first of all say, I appreciate the Leader of the Opposition's maintaining the confidentiality of the documents that we have distributed.

I think we could safely say that we are prepared to table the financing agreement since it will be signed with the approval of the Lieutenant Governor in Council. That is a ways away yet but we would be prepared to table that.

We would table as well our projections of differentials, which is really what drives the economics of the project. As well we would table any working documents that we had or work that supports how we arrived at those differentials. We would be prepared as well to take a look at the material that I shared with the Leader of the Opposition.

I think there are some things, my officials tell me, that would have to be taken out. But we would take a look at that and see how much of it we can table and would be prepared to do that. And of course as well, the environmental impact study is public and that can certainly be tabled.

HON. MR. BLAKENEY: — Mr. Chairman, and Mr. Minister, I don't want to belabour this discussion. I simply say this. The opposition, or I as one member of the opposition and I suspect some of my colleagues will feel the same way, are in a position where we approve of the principle of the project. We would very much like to see the upgrader.

We agree with the proposal of a partnership with Consumers' Co-operative Refineries Ltd. We think that the financing arrangements are, to put it mildly, unusual. We take the position that in general terms, unless the Crown is going to be the sole owner and the sole beneficiary of any increase in value, then it is inappropriate for the Crown to take 100 per cent of the risk, and that under these circumstances, the legislature gets no assistance from the fact that another party is involved.

In a venture like, let us say, the Ipsco, where bonds were guaranteed, the legislature had the benefit of knowing that if the project did not succeed commercially, private individuals, entrepreneurs stood to lose a good bit of money. And therefore, they would have analysed it with all the care that they could because they didn't wish to lose their money any more than we wish to lose the taxpayers' money.

In this project, we don't have that assurance. While I'm sure that Consumers' Co-operative Refineries Ltd. will have looked into this as closely as they can, their risk is comparatively small. They run some risk of dislocation of their refinery, and that is true. But if the project, if it doesn't work for some reason, technically we unhitch it and they pick up light sweet crude again. If it doesn't work financially, that's not their problem, it's somebody else's problem.

(2100)

So we don't have the benefit of their analysis, fuelled by the fact that if they're wrong, they lose a great deal of money, as is the case with an ordinary entrepreneurial venture which the Crown guarantees. Accordingly, for all practical purposes, we have to look at it if it were all Crown money and have to ask whether this is a good place to spend \$350 million of Crown money.

Certainly in principle, we very much favour the project. Whether or not it is sound commercially, we simply have to take the minister's word for it and the studies that he has done, and I want to make clear that that's what I'm doing. I propose to vote for the Bill in this committee as I did on second reading, but I state the position that in my judgement the minister should make available to the committee a good deal more information than he has made, and that — I speak not only for myself but for all other members of the legislature who have to take the responsibility for voting his \$350 million — the minister should make available to us on a basis which we can share with others and take to consultants, and do what we like with the information which would allow us to make an intelligent judgement.

He has in effect decided not to do that. He is offering to table some things now, but this will in effect not be able to be examined prior to our being called upon to vote on the Bill, and I want to make clear that we are in effect still having to deal with the principle of the thing. I approve of the principle. I don't have any facts before me which allow me to make an intelligent judgement nor, I suspect, do other members, and I think that's regrettable, particularly when we're dealing with a decision of this magnitude.

HON. MR. SCHOENHALS: — Mr. Chairman, the only comment I would make: I think in the assessment of the project, I think the Leader of the Opposition tends in some ways to understate the importance of the refinery and its role in the project. As I indicated earlier, the refinery is very important in reducing some of the capital costs, and as well the integration is the whole key to the viability; so I would suggest that there is a significant element of dedication on the part of Co-op to this. However, I appreciate the fact that the Leader of the Opposition is going to support the project at this stage.

MR. SHILLINGTON: — Well, Mr. Minister, I want to be fairly blunt in my comments. I have listened with interest to the Leader of the Opposition ask some questions in a fairly straightforward fashion. He has asked you . . . As I understand it, the viability of this project depends upon two differentials — the differential between medium and heavy crude which the refinery will be using, and the lighter crude which it replaces; and the differential between the lighter crudes and the synthetic crudes which comes out of this thing. Some fairly straightforward questions to which he got some rather silly answers. An answer is: well the companies in the U.S. are all quite pleased with the differential. That, Mr. Minister, was an answer which I think I'm being kind when I called it silly.

Mr. Minister, you have handled this Bill in the sloven fashion in which you've handled the Saskoil Bill, with very little information. Mr. Minister, you've tabled nothing. Listening to you fail to answer the questions in a fairly straightforward and simple fashion put to you by the member from Elphinstone, I think I know, Mr. Minister, why you're not tabling agreements.

I think you're not tabling the agreements or any documents because you don't want to have to defend them. If you were to table agreements and documents, then we would have some idea what you're doing, and you'd have to defend what you're doing. By giving us no information and no facts, you don't have to defend what you're doing. And that's why, Mr. Minister, you're not giving us anything because you don't know what you're doing as has become typical of this government in everything it does. It hasn't got its act together. You haven't thought it out, and you're not prepared to defend it, and that's why you're not giving us any facts, Mr. Minister.

HON. MR. SCHOENHALS: — Mr. Chairman, the only thing I can say is every time the idiot fringe of the opposition gets on its feet, it's interesting to note that the Leader of the Opposition leaves the room. I guess he can't stand it either.

MR. SHILLINGTON: — Well, Mr. Minister, this is at least the fourth such megaproject that this province has entered into. There may be more, but I recall four. Our staff took the time to do some research on the other three: the Ipsco project, Primrose Forest Products, and the Prince Albert pulp mill . . . (inaudible interjection) . . . Yes, indeed, indeed. And we will have slowed the Primrose Forest Products if that is thought to be too minor by the member for Meadow Lake. In all . . . (inaudible interjection) . . . No, indeed. Indeed, all are successful and still operating.

Ipsco was a project which was introduced and managed by the CCF government in the '50s. The Thatcher government in the '60s introduced and provided funding to the Primrose Forest Products proposal and the Prince Albert pulp mill. In all cases, Mr. Minister, the agreements, studies, the evaluations were all tabled in the legislature when the authorization for the expenditures was requested. If you want, Mr. Minister, I will read to you the documents that were tabled with those other agreements.

In those cases, Mr. Walker, in the case of the CCF government, Mr. Heald, in the case of the Liberal government, was prepared to defend and explain what they're doing. You have given us no facts on

which to evaluate this, and that, Mr. Minister, is because you haven't thought of them. You've proceeded in this sloppy, haphazardous fashion with this Bill that you have with Saskoil.

Mr. Minister, that's frightening, because this is an enormous amount of money. You are creating 80 jobs, and not minimizing the importance of the jobs, but you can't begin to justify this project from the basis of the jobs it's creating — that's \$4.5 million a job. If that's why we're doing it, it will be infinitely cheaper to put them all on a pretty good pension.

This is an important project to Saskatchewan, Mr. Minister. We all hope it succeeds, but we are all fools and unworthy of a seat in the legislature if we don't ask ourselves about the possibility that it might not succeed. We are all fools if we don't consider that.

That, Mr. Minister, was the line of questioning which the member for Elphinstone put to you and which you were utterly unable to answer. And when I repeated the question and suggested to you that those questions of the price differentials had some importance, all I got from the minister was an arrogant insult.

I say, Mr. Minister, for \$360 million you owe the public of Saskatchewan something better than your arrogance and your insults. You owe us some facts. If you have the details on those price differentials, I wish you'd give them to us because we have some follow-up questions.

HON. MR. SCHOENHALS: — Mr. Chairman, I'll just try to return this to a rational level. I repeat once more, as I told the member for Regina North East — both members seem to feel that the borders of the province end at Regina — there are 1,000 jobs that will be created because of this project in the oil patch, and to say that there are only 80 is an absolute misrepresentation of the facts. I would suggest that from now on that should be the case.

The member apparently asked for the differentials that we are projecting over the next decade. I would be prepared to . . . I offered to present these. The numbers read like this. We have two differential rates: one is the differentials forecast in the NewGrade report; the other is Saskatchewan Energy and Mines base case differential rate. Both of these are in dollars per barrel in Canadian dollars.

In 1986 we forecast the differentials to be \$6.24 in the NewGrade report and \$7.43 in the SEM base case. Possibly I'll just read the numbers for the years with the first number being the NewGrade report and the second number being Energy and Mines forecast.

In 1987 we forecast differentials of \$6.48 and \$6.78; 1988, \$6.73 and \$6.75; 1989, \$6.99 and \$6.44; 1990, 26 and \$6.64; 1991, \$7.55 and \$6.85; 1992, \$7.85 and \$7.22; 1993, \$8.16 and \$7.57; 1994, \$8.48 and \$7.91; 1995, \$8.81 and \$8.34. Those are the differentials and those are based on the price difference between Alberta mixed blend and a combination of Swift Current medium crude and Lloydminster blend, or in API numbers 33 degrees in the one case and 22 in the other.

MR. SHILLINGTON: — And what assumptions are you making . . . (inaudible interjection) . . . Yes, I would appreciate that. Thank you. Would you get that, please. What assumptions, Mr. Minister, are you making about the price of oil itself? Are you assuming a rising price of oil, static, or falling?

HON. MR. SCHOENHALS: — Mr. Chairman, in general terms, what we are forecasting are soft prices for the next couple of years and then a gradual firming and increase in the prices. Possibly the easiest way is to also send you this sheet of paper which has the forecasts of Saskatchewan Energy and Mines as well as the Alberta governments' forecast. And that might be the simplest way.

MR. SHILLINGTON: — Mr. Minister, the developments in Vienna and the Middle East of this month and last month with respect to the price of oil are the subject of some controversy. There are those who believe it's a temporary phenomenon, and there are those who believe that the oil cartel may have been permanently set aside. I assume, Mr. Minister, this document is best case planning; this

assumes that the effect of the . . . in essence the break-up of the cartel, the OPEC, will be temporary and the world will go on facing generally rising prices in the not-too-distant future. Indeed, I see it's going to happen in a couple of years.

Mr. Minister, what happens to this project if the price of oil falls? Twenty dollars a barrel has been talked about. What happens to your differential if the price of oil drops by \$6 a bushel . . . \$6 a barrel instead of rising by \$10 — by \$13 a barrel?

HON. MR. SCHOENHALS: — Mr. Chairman, differentials are not tied directly to prices. I indicated a \$4 differential repays the debt, handles the operating costs, and anything above leads to profit for the proponents.

As I've indicated, we have the differential forecasts that you see in front of you. If the world price fell to \$20 American, there is still . . . We believe that the forecast in differentials will not be substantially altered, but that there would still be room for this project certainly to pay its debts and to handle its operating costs.

MR. SHILLINGTON: — Mr. Minister, do you have anything other than a fond hope on which to base that comment? Have you done any studies? Do you have any reason for that optimism?

I would have thought that as the price of oil fell, the differential would narrow. And I would have thought at \$20 a barrel, the narrowing of the differential might be quite substantial. And I realize the minister dismisses this with a shaking of his head, but I wonder, Mr. Minister: is there anything on which to base that comment?

(2115)

HON. MR. SCHOENHALS: — No. I indicated there is not a direct relationship. They're not tightly tied to each other, but certainly as they go down they could.

As I've indicated in responding to the Leader of the Opposition, we are prepared to table our forecasts and the working documents that support them, and I trust that that is the types of studies that you require. Our department, I'm sure Alberta's, any governmental energy department, and most analysts and corporations, are keeping a constant track on this thing and have their projections.

If the member wishes I could give our indication of what has happened, what we have seen happening in the price of crude in the world market in the last few months. I'm not sure it's relative to the discussion of the project, but I would be prepared to do that if that were deemed to be of benefit to the discussion.

MR. SHILLINGTON: — Well it certainly would, and it would have been a benefit to the discussion if we'd had it before this, Mr. Minister.

Mr. Minister, I noted on the press statement which you announced, the federal government had agreed to phase 1, which was the study. And it was my understanding that their agreement to phase 2, which I understand to be the construction, and phase 3, which I understand to be the operation, was somewhat conditional upon the results of phase 2. Do you have the commitment of the federal government to their share of the loan capital? Is that firm at this point in time or is that something you have yet to firm up?

HON. MR. SCHOENHALS: — No, Mr. Chairman. There will be some legislative process they will go through, but their commitment is firm for the loan guarantees during phase 2. That's the federal government's role as has been clearly stated in the releases and in the discussion.

MR. SHILLINGTON: — In what manner have you received these firm commitments, Mr. Minister? Do you have them in writing so that you can table those commitments?

HON. MR. SCHOENHALS: — Yes, we have copies of the documents that the federal Finance minister took to cabinet. We have no plans of tabling them. We would have to get permission to do that and we're prepared to pursue that, and if we can receive permission from the federal government, that's not a problem at all.

MR. SHILLINGTON: — Do I take it Ms. Carney took it to cabinet and their participation was approved? Then you have that in writing, Mr. Minister?

HON. MR. SCHOENHALS: — The concept is correct. The sponsor is not the federal Finance minister. Mr. Wilson took the documents to cabinet. They were approved there. We have copies of that and as I indicated, if it's important to you, we will ask permission and assuming that permission, are prepared to file those documents.

MR. SHILLINGTON: — Yes, I take that to be an undertaking which we would like to have, Mr. Minister. As I say, it would have been a good deal more useful and this process would have been a good deal faster if you'd tabled those earlier.

With respect to the price of natural gas, is there any special agreement with consumer refineries or with the NewGrade with respect to the price that they will pay for natural gas?

HON. MR. SCHOENHALS: — Mr. Chairman, in response to the member's question about natural gas, there are no special arrangements for natural gas to the refinery. To the upgrader portion of the project, NewGrade will be allowed to make direct purchases for its natural gas. Most of the natural gas in the project is used to make hydrogen, which we would classify as a feedstock rather than a power source in that case. During the period while debt is outstanding or for the first 15 years of the project, the royalties on that natural gas will be credited to the project.

MR. SHILLINGTON: — But with respect to the price, Mr. Minister, they pay the same rates as anyone else? Because I understand from some of the documents that some special arrangements have been entered into.

HON. MR. SCHOENHALS: — No, Mr. Chairman. I said direct purchase, which means that NewGrade will go out and negotiate with a . . . they may provide their own but go out and negotiate with a producer. Sask Power will operate as the carrier of the gas, but the price will be determined on a buyer-seller arrangement.

MR. SHILLINGTON: — Have those arrangements been approved by the Public Utilities Review Commission?

HON. MR. SCHOENHALS: — Mr. Chairman, this has nothing to do with Sask Power buying and selling gas. This is strictly incremental. Sask Power's only role is as a common carrier. They will tend to improve their financial position because they will make money by transporting the gas through their system, but it's not subject to PURC because there's no buying or selling of gas by Sask Power.

MR. SHILLINGTON: — Well, again, I'm not at all sure that the Public Utilities Review Commission are going to agree to that.

Mr. Minister, with respect to advertising, what was the cost of that extravaganza which took place in the middle of the North East by-election with any number of trucks being driven out — I assume most of them at the expense of the government — and the public being taken there at the expense of the government? What was the cost of that grand opening of yours?

HON. MR. SCHOENHALS: — Mr. Chairman, if I understand the question, he would like to know what the parade cost. The trucks were all provided by our partners in the project, Federated Co-op. There was no cost.

MR. SHILLINGTON: — What was the cost of the opening, of that opening?

HON. MR. SCHOENHALS: — Mr. Chairman, we don't have exact numbers available on that. We're trying to ball-park. I would suggest in excess of \$10,000 is probably the cost.

MR. SHILLINGTON: — I wonder, Mr. Minister, how much in excess of \$10,000 you think that was.

HON. MR. SCHOENHALS: — I'm trying to give you a ball-park figure. I don't want to be tied to the figure if we simply don't have the exact. I don't think a great deal in excess, but around \$10,000.

MR. SHILLINGTON: — Mr. Minister, do I have your undertaking that while you're too embarrassed to provide it here in the Legislative Assembly, you won't be too embarrassed to provide it to me as soon as you can get it together, and do I have your undertaking you'll give it to me?

HON. MR. SCHOENHALS: — Certainly we would do that. I'd suggest that Federated Co-op took a great deal of pride in that afternoon, that it was a major event for the co-op refinery, for the co-op movement; it was something that they had the large hand in the planning of. I think it was an outstanding afternoon, and something that the co-op are very proud of, and I don't believe that they're that concerned. But I clearly undertake to provide you as soon as we can gather together the exact figures.

MR. SHILLINGTON: — Mr. Minister, will you describe for the House — because I know it's of interest to Regina people — will you describe for the House the steps which have been taken with respect to the environmental protection and the smoke and the smell, which has been a problem — albeit the jobs are probably worth it? But there's been a problem with the refinery.

And I wonder, Mr. Minister, if you'll tell us what steps have been taken to eliminate that aggravation, particularly to the citizens who live in the northern part of the city of Regina.

HON. MR. SCHOENHALS: — Mr. Chairman, as I indicated, the environmental impact study we are fully prepared to table. I believe it's a public document. It was carried out with public information meetings. The Minister of the Environment and his staff are satisfied that the project is not, in any way, environmentally hazardous. There will be continuous monitoring by both the project and the Department of the Environment. I can assure the member, though, that the upgrader facilities that I visited have absolutely no emissions. I would suggest that any smell or sounds or whatever are less than what we experience in the present day refinery.

So I think the people of northern Regina and north-east Regina will not find any discomfort of any shape or form from this highly important project which will literally provide thousands of jobs in the province.

MR. SHILLINGTON: — Mr. Minister, I wasn't terribly concerned about the noise this thing would make. The smell, however, Mr. Minister, is a different matter. This refinery has . . . And the oil that you're using, because it is not as sweet as the oil that has been used, has a good deal of sulphur in it. Sulphur has been known to produce a bad smell. Mr. Minister, the fear is that the emissions are going to be worse than the other refinery, not better.

I take it, Mr. Minister, if I have your solemn assurance that nobody will complain, there'll be no bad smells, we'll go on. But I suspect, Mr. Minister, unless you've given it some careful thought and laid down some pretty vigorous regulations, this is going to be a source of considerable annoyance to the people who live there.

(2130)

HON. MR. SCHOENHALS: — Mr. Chairman, I should point out that the sulphur emissions which seem to be of concern from this new high-tech project will be less than those which exist in the refinery today. In fact the member for Regina North, very early in the project, brought this concern of

his constituents to our attention and I think in the public information meetings that took place, we responded to that and demonstrated that.

You indicated that you weren't particularly worried about the noise, you more worried about the smell. I might suggest to you that the noise will be a larger problem than the smell — it will be that modern a facility with that little emission.

MR. KOSKIE: — Mr. Minister, just a couple of questions and we can proceed then.

In the section 4 where you indicate that the Government of Saskatchewan guarantees 'the payment of principal and interest of any moneys that may be come owing in respect to:' and it goes on. What I want to ask you: has NewGrade put together the financing package which the Government of Saskatchewan and the Government of Canada will, in fact, be guaranteeing?

HON. MR. SCHOENHALS: — No, Mr. Chairman. The work on that has not been finalized. It's under way. It's envisaged that there'll be some interim financing mechanism during the construction period and then something of a permanent nature locked in the future. But as I indicated, the work is going on that, but it has not been finalized at this time. However, I believe that is the financing agreement that we talked about at some length which we will be tabling, or which will become public, because it will be approved by the Lieutenant Governor in Council.

MR. SVEINSON: — I would like to just momentarily say that certainly the selection of the city of Regina was an appropriate selection.

AN HON. MEMBER: — There's not that many co-op refineries in Saskatchewan.

MR. SVEINSON: — Well the member from Assiniboia suggests there aren't that many co-op refineries in Regina. I would think that the people of Regina, in the long term, are going to be thankful for your selection of Regina as a city that certainly can stand some help, vis-à-vis the unemployment situation.

But what happens and what are the long-term projections with respect to the sale of the commodity that you're developing and the profits if, in fact, the price of this commodity continues to fall? Where in fact is there possibly a position where profitability goes out the window and the taxpayer picks up the bill?

HON. MR. SCHOENHALS: — We have indicated in questions from other members of the committee earlier in the evening, the key element in the economics of the project are the differentials. As long as differentials stay at \$4, the project pays its bills and its operating costs. If differentials are above \$4 then the project makes profit relative to that increase, and I have sent to the opposition copies of both the NewGrade projections and our projection of differentials rates.

I will simply indicate that over the next decade, in our numbers, we see the lowest projected differential in 1989 at \$6.44 and in the NewGrade projections we see the lowest ones in '86 at \$6.24. So on the best knowledge available this appears to be, and is believed to be by most people who've looked at it, an extremely viable project, both now and in the long term.

MR. SVEINSON: — Are those differentials dependent on the price of oil and are they based on the value of the commodity that's produced by the upgrader, and are they refined and sold here in Saskatchewan using a Saskatchewan commodity?

HON. MR. SCHOENHALS: — No, differentials are not tied, as we've also indicated earlier in the evening, to the price of oil. The differentials that we're discussing here are based on the price difference between Alberta mixed blend and a combination of Swift Current medium crude and Lloydminster blend. In API numbers, it's 38 degrees versus 22, is what we're discussing.

MR. SVEINSON: — So you're quite confident that over the long term we've got a viable project, not

only for Regina but also for the people of Saskatchewan, who are guaranteeing a lot of the financing with respect to this project?

HON. MR. SCHOENHALS: — We are prepared to say that we believe this is the best major project in Canada today with government money in it.

Clause 1 agreed to.

Clauses 2 to 6 inclusive agreed to.

The committee agreed to report the Bill.

Bill No. 121 — An Act to amend The Heritage Fund (Saskatchewan) Act (No. 2)

Clause 1

HON. MR. SCHOENHALS: — Mr. Chairman, this Bill is simply part of the discussion we've already had. It's a consequential to the heritage Act and it's tied to the NewGrade upgrader. I doubt that there's any discussion on it, following what's taken place.

Clause 1 agreed to.

Clauses 2 to 5 inclusive agreed to.

The committee agreed to report the Bill.

Bill No. 117 — An Act to amend The Agricultural Credit Corporation of Saskatchewan Act

MR. CHAIRMAN: — Would the minister introduce his officials, please.

HON. MR. HEPWORTH: — Mr. Speaker, some may be joining me shortly here. They're coming down from the gallery. But on my immediate right hand is Jack Drew, the deputy minister for the department; sitting in the seat behind him is Norm Ballagh, the general manager, CEO with the Ag Credit Corporation; and behind myself will be Morley Machin, who's the manager of administration at Ag Credit Corporation of Saskatchewan.

Clause 1

MR. ENGEL: — Mr. Minister, do you have the regulations prepared for this Bill?

HON. MR. HEPWORTH: — Mr. Chairman, hon. member, yes, we have them in draft form at this point in time.

MR. ENGEL: — Would you be so kind as to share them with us?

HON. MR. HEPWORTH: — Mr. Chairman, hon. member, they have not yet, at this time, been through review and through the other channels that are forthcoming after the legislation is, in fact, put in place, but I'm sure happy to answer any questions that might be arising and be enshrined in regulation.

MR. ENGEL: — I think one of the most serious aspects of this Bill, and the questions that farmers are asking, is just how is it going to be administered and the whole ground rules for it.

And I think if the minister, in holding up and waiting this long since second reading to answer some of the questions we've been asking, would have really improved the operation here if you would have been kind enough to present advanced copy. Because basically, it's how you're going to implement the Bill, and how you're planning on having the farmers make the loans, and on what

basis the loans are going to be granted, and if we could run through that stage it would save an awful lot of time.

HON. MR. HEPWORTH: — I think what the hon. member is after — and I can appreciate that — is if I was a farmer, how is this really going to work? And I think that the details that we outlined in second reading are well known, so I won't go into them. But what we envisage happening here is that applications might be available at more than one spot, but we would see the key spot being the elevator agents and elevators themselves, because those people are commissioners of the oaths, and have access to quota books, and hence can do a determination and legitimize, if you like, an application on that basis. As far as the numbers of acres that might be eligible, as far as who's administering it, it's self explanatory, I think, to the degree that it's the Ag Credit Corporation of Saskatchewan. It'll be secured by a promissory note. It's not assignable, and I think that's laid out in one of the sections of the Bill.

It's pretty straightforward, really. There aren't a lot of . . . I don't know whether there's specific details you want me to give you. I think we've laid out the fact there's a cap on it; 100,000 for individuals, 200,000 for co-operatives and corporations. I'll start with that, and if you've got further questions I'd be happy to answer them.

(2145)

MR. ENGEL: — I suppose it would help a lot if I could see a copy of the note that the farmer is going to have to sign. Have you got a draft copy or some ideas as to what the note is going to be? I think there's a tremendous amount of concern about it.

As far as the elevator agent is concerned, is the role he's going to play that the applications will be there, or is he going to be signed up as an agent, or are you going to select selective elevator agents that will be actual employees or bankers as such for the credit corporation?

HON. MR. HEPWORTH: — Their role will be one of verification of the application. And it seemed to make a lot of sense, and that's why we initiated discussions with the umbrella group for elevators — what's it called? — country elevator association. So it's the entire umbrella group. We haven't picked, chosen certain elevators. But they can verify it because the quota book in terms of having the correct numbers down, that seems to be the easy check. They're commissioners of the oaths, so it seemed to be a natural spot.

Now that doesn't mean to say that there might not be applications available at other places, but it seems to be the logical spot to have them verified, is the elevator agent, if you like.

MR. ENGEL: — I'm not planning on taking any time tonight to debate the pros and cons of a farmer making a loan versus a government that's concerned about keeping the farmer on the farm. I'm not debating that. I'm accepting as a premise that your dealing and your treatment of the farmer is quite different than it would be if a farmer happened to own a hockey club and was going to build a pork processing plant. There's a different set of rules. There's a different set of rules for the farmer than there is for your friends and I think . . . I'm not going to get into that debate. I made my points as far as some of the real concerns were when we had second reading.

But the concerns that farmers have been raising with me, and I've had a number of calls from various areas of Saskatchewan when it was first announced and first put out, that this would be an application that would be available at his elevator. I really would appreciate if you have a draft copy or a sample copy so I can see what some of the questions the elevator agent is going to have to fill out, to assure myself that this isn't going to be one that is going to declare, the farmer's going to have to declare a lot of his things that he doesn't necessarily want to share with an elevator agent.

If I may, Mr. Minister, I would view this as a draft application and not hold you to it and say that you change done line or another. If you feel that through discussion we can improve on the form, I wouldn't even mind helping you do that.

HON. MR. HEPWORTH: — We do have a draft, and that's what it is because we've got some writing on it. We're not comfortable with it in total ourselves yet. I'll have a copy made here and have it sent over to you on the understanding that it simply is a draft and subject to change. In fact, we're already making some changes to it. So I'll have one of the pages get a copy for you and get it over to you.

MR. ENGEL: — The other thing as far as the security is concerned, would you also have a sample of the note that he's going to sign? Because some of those samples are fairly strong affidavits and I'm wondering just what will be involved in the note itself.

HON. MR. HEPWORTH: — Mr. Chairman, the note that he will sign, the draft note, is on there and you will see by some scribbles that we're not comfortable necessarily with all the sections on it, but I will provide it for you.

MR. ENGEL: — Still staying on section 1, you know, as far as the question is concerned, but there's some concern raised there by section 3(3). You're asking for the inclusion of a net worth and a non-farm income. What does that have to do with relation of the availability of a loan? Are you going to restrict some farmers if a farmer is the elevator agent and farms besides? Are you restricting him from getting a loan?

HON. MR. HEPWORTH: — Why this change is in there is because at this point in time the Act does restrict us. We have conditions that only those who have net worths of less than \$300,000 and off-farm incomes. Either through Act or regulation, we are restricted, and this has no such restrictions. Everybody is eligible, and that's why we've got to have provision in the legislation to make sure that everyone is eligible, no matter what their net worth is.

MR. ENGEL: — On the changes there then, you're opening it wide up to \$100,000 and are not putting a net worth or an income restriction in there?

HON. MR. HEPWORTH: — Yes. I want you to be very clear on this. This largely is a housekeeping clause in the Act. Were we to go by today's regulations, only those farmers who had net worths less than 300,000 and the off-farm income provision, those are the only ones who would be eligible for this 6 per cent money. That is not our intention. We want to make sure all farmers are eligible for 6 per cent money. So we have to be able to re-define a net worth provision for this program and perhaps off-farm income, that kind of thing, because there will be none, and hence the reason for that provision in the Act.

Your other question, I just forget what it related to now.

MR. ENGEL: — Well, the other aspect of the question was related to his income, off-farm income. Have you a new definition for a farmer? Have you a definition for a farmer as far as this Bill is concerned, or does his principal income still have to be farming?

HON. MR. HEPWORTH: — The off-farm income, I think you will see in your explanatory notes on section 3, I think it is, or the Bill, an explanation of farming. And I may not have in my second reading speech, in fact, been as clear on this as I might have been. In my officials reviewing my speech, I think I may have put the words in the wrong order. But farmer means as it says there, an individual has declared his intention, one, to make farming his principle occupation or to be principally occupied or . . . I think you can read it. I think before it read 'actively,' something like . . . It now reads 'principally,' and we're changing it to 'actively.' I keep getting that order incorrect.

The bottom line of it is, we recognize today, and it's probably an unfortunate fact of life, that more and more young farmers particularly have off-farm income. And we don't want to make things — not that it bothers this program — but we don't want to have programs down the road where that would restrict us in our lending program simply because they were working in the oil patch, for example, in my area, or in perhaps in the hon. member from Nipawin's area, working in the bush.

MR. ENGEL: — What is the rate of interest? I see you have a circle here. It looks like you possibly might change some in the promissory note. What rate of interest are you going to charge after year one and a third of my note is due? What rate of interest are you going to charge on arrears?

HON. MR. HEPWORTH: — As you will notice on this draft, that's one of the things that we're wrestling with somewhat. To give you a ball-park figure, as to what it is likely to be, or somewhere in the area where it's likely to be; something along the lines of the Canadian Wheat Board advance today, or it may be tagged to ACS's lending plus, or financial institutions that does our banking, plus prime plus two or their rate plus 2 per cent, something that we can be assured that's fairly constant and consistent. But that gives you a ball-park. Okay.

MR. ENGEL: — I'm wondering, I can see where a farmer like my colleague from Pelly, for example, that had a record crop this year, you know, the best crop that he's had since he's farming. There's a maximum on how much money he can get from his elevator on a cash advance on the wheat he hasn't sold, and that's great because then when he hauls his wheat in, he'll pay it.

We're telling the farmers down in southern Saskatchewan in the severe drought area who have lost three, four . . . I've got constituents, and you were at meetings with me, Mr. Minister, where you heard farmers tell you they've lost six crops in a row, I think is the most I've heard — five, six out of seven years that have been severe crop losses. Farmers have told us they borrowed seed for two years in a row.

The farmer with the 1,000 acres is going to borrow \$25,000 on his tow sections of land where about 1,000 acres is cultivated, which is fairly normal. On that \$25,000, \$8,000 approximately will be due after year one. The fellow's really had his back to the wall. He's in tough, tough shape financially, and he gets a little bit of wheat this year and almost owes as much on borrowing just for seed alone as he's harvested. How do you expect him to pay that back?

I don't mind seeing it paid in three equal instalments for the rest of Saskatchewan. I have no argument with that if the wheat's there, and they've got the grain on hand. But what about the guys that have a short crop or conditions are such that they might not harvest a real good crop? Are you going to penalize them and charge them eleven and a half or eleven and three-quarter or prime plus two, whatever you're saying here in interest, from year one, year two, and it might take till the year three till they get into a situation where they can make it pay off?

Have you given that some thought to have a special promissory note for the guys in the severe drought area, is basically what I'm asking.

HON. MR. HEPWORTH: — Mr. Chairman, that's exactly the reason why we have allowed for repayment over three years. I think your observation is quite correct. On a normal cash advance, the cash advance system that's in place today, as they deliver, they pay back the advance. But your observation was our observation. If you've had no crop for two or three or four years and again this year had no crop, you've got nothing to generate money. So it would have been nonsensical, if you like, to expect them to repay it on one year, over one year. That's why there's a provision there to allow them to repay it over three years, and if some goes in arrears, then the interest rate will be this other number that we talked about. I think you'll agree that that seems to me to make some sense.

MR. ENGEL: — The terms or conditions that are set out there, I still argue haven't taken into consideration, and you've blindly refused as a government to recognize that there are some parts of Saskatchewan that are different than others. By being concerned with the drought area, I don't say that I have no concern for the balance of the farmers.

I'm convinced that this is a little bit of a shot in the arm for someone that has his bins full of wheat. It's not even a bad shot in the arm for a guy that only lost one crop and got his crop insurance. This will get him over the bind. But you're not recognizing the fact that 12,000 farmers in Saskatchewan are not in any one of those two categories. And those 12,000 farmers should have had a special application that you'd send out and that the promissory note aspect and the repayment aspect

wouldn't demand a higher interest rate on the money that's due after year one.

(2200)

I think if you want to give them 6 per cent money, you should be able to say to those farmers, we're going to give you year one and year two with no interest till you catch up, until you get back into the same condition and the same boots as my colleagues are where they're representing an area of Saskatchewan that things are tough, but they've got their bins full of wheat, even though some of their wheat might be tough, and they maybe need some additional money for drying or drying the equipment or whatever they have to do. I understand the reason for that. But your reasoning is such that you should be making some exceptions. Would you consider a special form that would say to those people that lost their crop: you'll get year one gratis, and then we will implement something.

It's to give him a chance to survive. Otherwise this isn't much comfort. It isn't much comfort to borrow your way out of debt, because it just doesn't happen that way. It just doesn't happen, and I think . . . I would like your comment and consideration that you'd make a second form for those people that are in severe trouble. I think that's the least you can do.

I think the people that are in serious trouble and those people that didn't get a crop should at least get as good a treatment as Peter Pocklington got. Why not give them the same kind of treatment? Here is a millionaire from Alberta coming into Saskatchewan. He doesn't get this kind of treatment. He's not getting this kind of treatment. He gets \$10 million of his loan gratis. Written off.

And I think if you'd have any concern for the farmers in Saskatchewan, you would say to those farmers who are in serious trouble: if you didn't get a crop last year, and you didn't get a crop the year before, we're going to waive the payment for year one until you get in to a position where you start picking up a little wheat.

And I think it's wise. I think it's wise to consider doing a second — I'm having a little competition here — I think it's wise to do a second application form, Mr. Minister.

AN HON. MEMBER: — I'd like to bring to the attention of the Chair that it is 10.

MR. CHAIRMAN: — Yes, under rule 3 sub 4, it being 10 o'clock, I do now leave the Chair.

The committee reported progress.

THIRD READINGS

Bill No. 118 — An Act to assist NewGrade Energy Inc. in establishing a Heavy Oil Upgrader in Saskatchewan

HON. MR. SCHOENHALS: — Mr. Chairman, I move that Bill 118, An Act to assist NewGrade Energy Inc. in establishing a Heavy Oil Upgrader in Saskatchewan now be read a third time and passed under its title.

Motion agreed to and Bill read a third time.

Bill No. 121 — An Act to amend The Heritage Fund (Saskatchewan) Act (No. 2)

HON. MR. SCHOENHALS: — Mr. Chairman, I move that Bill 121, An Act to amend The Heritage Fund (Saskatchewan) Act (No. 2) now be read a third time and passed under its title.

Motion agreed to and Bill read a third time.

The Assembly adjourned at 10:07 p.m.