

The Assembly met at 2 p.m.

Prayers

INTRODUCTION OF GUESTS

Hon. Mr. Devine: — Mr. Speaker, it gives me a great deal of pleasure today to introduce to you, and through you to the members of the legislature, some distinguished guests that we have in the Speaker's gallery. I want to take this opportunity to introduce to the Legislative Assembly, the Hon. Evan Walker, Minister of Agriculture for the state of Victoria in Australia, and his wife, Mrs. Walker; and Mr. Michael Taylor, director of agricultural marketing services, the Department of Agriculture, state of Victoria in Australia.

The Hon. Evan Walker and Mr. Taylor will be meeting with me after question period, and we will be discussing issues with the officials of the Department of Agriculture and Agdevco. As well, they will be meeting with the Saskatchewan Wheat Pool and the Western Canadian Wheat Growers Association. We will be discussing things like trade, agricultural policies, domestic policies, both here and in Australia. We will be looking at export possibilities for both of us, and obviously the discussions will have some impact on trade negotiations that are going on around the world, as well as our continued concern and support for rural families and farm families in both of our countries.

So I would ask all members of the legislature to give a warm welcome to our distinguished guests.

Hon. Members: Hear, hear!

Hon. Mr. Hodgins: — Thank you, Mr. Speaker. It's certainly my privilege to introduce to you, and through you to all members of the legislature, some very, very distinguished guests that we have located in the Speaker's gallery. I am pleased to introduce to you His Excellency Emmanual Megalokonomos, Ambassador of Greece, and with him is the Consul of Greece, located in Vancouver, Mr. Jean Lacatzis. I understand that this is their second visit to our province of Saskatchewan, and it is the first visit to Saskatchewan for the Consul. I understand the Ambassador will be meeting with the Lieutenant Governor, as well as the Premier, the Leader of the Opposition, as well as the minister in charge of Science and Technology.

I did have the very distinct pleasure of hosting a luncheon for these fine gentlemen, and I would ask all members to join with me in welcoming our very distinguished guests to the legislature.

Hon. Members: Hear, hear!

Hon. Mr. Blakeney: — May I join with the Premier and the Minister of Highways in welcoming Mr. Walker from the State of Victoria in Australia, and wish that he enjoys his stay in our province, and has a fruitful discussion with respect to agricultural problems, some of which are mutual between our two countries of Canada and Australia.

And I also want to join in welcoming His Excellency, the Ambassador to Canada from Greece, and the Greek Consul. I had a delightful visit with them this morning. This is not the first time I've met His Excellency, and it was good to renew acquaintances and to discuss issues which are of common concern to Canada and Greece and, more particularly, issues whereby Saskatchewan and Greece may not have a more fruitful co-operation.

Hon. Members: Hear, hear!

Mr. Lusney: — Thank you, Mr. Speaker. I'd like to introduce to you, and through you to the Assembly, on behalf of the member for Canora, 60 students from the Canora Junior Elementary School. They are accompanied by their teacher, Ron Hoehn, and they're here to visit Regina today.

I would like to welcome them to the city, and to the legislature, and hope that they have a very interesting visit to the legislature and find it informative. I'd be glad to meet with them later on, if they have any questions. So I'd like all the members to join in welcoming them here to the Assembly today.

Hon. Members: Hear, hear!

Mr. Katzman: — Mr. Speaker, I would also like to welcome a group of students, 30 students from Clavet High School in my constituency. They are in the west gallery. They're here to watch the proceedings. Clavet School almost every couple of years has students here to watch the proceedings. I hope they enjoy the proceedings.

If they look over towards the press gallery, Mr. Speaker, they will see a trophy sitting up there, because tonight is the annual ball game between the press and the MLAs.

I hope they have a good trip home, and we'll see you all later.

Hon. Members: Hear, hear!

Mr. Shillington: — Thank you. I want to join with other colleagues in the legislature and welcome 11 students, I gather, from the Urban Native Pre-employment program, accompanied by their teacher, Mary Jane Woronchak. I'll look forward to meeting with the students and with your teacher at the conclusion of today's question period, and I hope you find it educational and interesting.

Hon. Members: Hear, hear!

Mr. Thompson: — Thank you, Mr. Speaker. I'd like to introduce to you, and through you, a group of students from Sturgeon Landing who are sitting in the east gallery. And I would like to introduce them on behalf of my colleague, the member for Cumberland. They are accompanied by their teacher, Mr. Sam Rambaran, and chaperon, Mrs. Gertie Budd. They are down here on an educational tour.

Mr. Speaker, I would like to, through you and the rest of

the Assembly, to wish them well and welcome to the legislature, and I wish you a safe trip home. Thank you very much.

Hon. Members: Hear, hear!

ORAL QUESTIONS

Grasshopper Infestation

Mr. Engel: — I have a question to the Minister of Agriculture. And I also would like to bring my personal greetings to the Minister of Agriculture from Australia. I hope they don't have the same problem with grasshoppers there as we do here. I'm not sure. I've never heard Australians complain that much about the grasshoppers.

But we had a serious problem last year, Mr. Minister, and the question I have today deals with grasshopper infestation which thousands of Saskatchewan farmers are already battling. Last year grasshoppers cost Saskatchewan farmers about \$100 million in crop damage. Since last fall your own department — and I have several brochures here that you have published — have forecast that the problem would be even worse this summer. yet in spite of all the warnings, farmers are finding that there is a shortage of insecticides at many of the dealerships. Did your government not push that chemical companies and others would stockpile these insecticides over the winter months to avoid shortages this spring like we had last year, where we spent hundreds of thousands of dollars flying it in? Did you make some precautions for grasshopper control?

Hon. Mr. Devine: — Yes, sir. Mr. Speaker, as of last fall, in anticipation of severe problems associated with grasshopper infestations this spring, I contacted all the suppliers, the chemical suppliers, and wrote them and said that we wanted to make sure that there was adequate supplies of grasshopper spray throughout Saskatchewan. The suppliers wrote me back and have assured me, as late as today, that there are adequate supplies in Saskatchewan. If you're raising the concern that there may be some dealers that don't have it from the central depots, that could very well be the case. I would like to confirm that, but they've told me that they have a great deal of it on supply and here in inventory, and they're prepared to ship it wherever.

I'm also advised, as I'm sure that you know, that with the great deal of rain we had in southern Saskatchewan it postponed the hatch, then with the hot weather that came on we found out that there was a hatching in a uniform pattern right across southern Saskatchewan. And right now it presents the possibility for, as well, a uniform kill on an awful lot of the grasshoppers that have been hatched, on a comprehensive basis, if you will. So the spraying now that will take place, the supplies that will be there, will give us a reasonable shot at controlling them in the near future, and hopefully with a good spraying program right now, not only by the farmers, but by R.M.s and so forth where we are prepared to spend up to \$8.5 million, we can have a reasonable kill of grasshoppers in the spring of '86.

Mr. Engel: — Mr. Minister, when I look at last year's map — and the blue area is severe, you can see from there — and then when I look at this year's map, the area of severity seems to be worse than it was last year. And the part of my question that you didn't answer is: are you going to be helping farmers further than the program you announced in March where you said that you'd provide assistance for road allowances?

In Alberta, we have assistance where all the land is covered and my question is . . . only a fraction of the land is included in the road allowance, maybe 1 per cent or less. And in the Moose Jaw district some farmers have already had to spray their crop land two or three times. I know my neighbours are phoning me this week, since I left home, that they are spraying for a second time. Will your government now consider a program which will reimburse farmers for some portion of all their spraying costs, not just spraying the road allowance?

In Alberta, as you're aware, they're paying 50 per cent of the cost. Because if we can control them where they are now they won't spread further north next year and so we're doing some good for all of Saskatchewan. We think all of Saskatchewan should be expecting to pick up some of the cost. So will you consider the similar program to what Alberta has where you'd pay 50 per cent of all the cost of chemical, not just on the road allowance?

Hon. Mr. Devine: — Mr. Speaker, as we examine the problem and the situation now, we know that farmers across southern Saskatchewan will be spraying on a broad basis, and we'll examine it in the next few days and the next week to find out exactly what the kill is like.

I'm advised by departmental officials in Agriculture that there's an opportunity to get a very widespread uniform kill of these very young grasshoppers because of the uniform way that they've hatched. If they go at it right now across the board, and we will monitor and watch it, then we have a much better opportunity this year — much better this year than we did last year in terms of a uniform kill and a comprehensive attack on the grasshoppers as they exist.

So I'll be watching it day by day. I certainly get the requests and the information into my office, not only as Minister of Agriculture but as Premier, and we'll be staying right on top of it.

Mr. Lingenfelter: — A new question, and it deals with the same issue as my colleague from Assiniboia-Gravelbourg has raised. It has to do with the issue of setting up a program where all the spray used to kill grasshoppers would be covered by your plan, similar to the Alberta program. As the minister knows, the money that you would save in crop insurance would be great indeed if you were picking up the chemical cost for the farmers to spray for grasshoppers, because the production would be increased.

But what I want to ask you, Mr. Minister, is this: are you at this point in time considering extending your program now rather than later so that farmers who haven't got the cash in their pocket to pay for chemicals will be able to go out and buy it, if you were to announce it today, knowing

full well that you'd get compensated for it later.

What we're having a difficult time, as farmers, understanding is how you announce program after program after the effect of the grasshoppers or drought has taken place. Why don't you come forward with the program now? You could save that money in crop insurance later in the fall, and I'm sure would be in the best interest, not only of the farmers, but of the taxpayers as well.

Hon. Mr. Devine: — The problem, Mr. Speaker, is that the opposition never recognizes the money that is already out there. Let me give you an example. We have \$25 an acre — \$1.2 billion — out in cash to farmers right now. And they don't have that in Manitoba, and they don't have that in Alberta.

That's a great deal of cash. I mean, it seems to me, if you wanted to be fair, you would recognize the fact that we have put literally hundreds of millions and billions of dollars — cash — into rural Saskatchewan. Now that money can be used to help pay mortgagees, to pay for chemicals, to pay for all kinds of things.

This year, Mr. Speaker, we have \$8.5 million allocated to spray for headlands and road allowances and so forth, Mr. Speaker. Also the farmers are applying for, if there have been problems with grasshoppers and they want reseeding, the crop insurance covers that, Mr. Speaker, through application. And we have the chemical supplies in the province of Saskatchewan.

So when we look at the various number of programs that we have used to put cash into farmers' pockets, I mean at least I think it would be fair, in the legislature, if you could acknowledge the fact that when they're looking for cash that they've received 6 per cent money more than they've ever got in the history of the province with respect to operating cash to use as they like.

Now that's been in place for some time. They have the money now. It's certainly in advance of any problems that may come up. And as you, I'm sure, will admit, \$1.2 billion is a fair amount of money.

Mr. Lingenfelter: — Supplement to the Premier. He's indicated that farmers are doing great because of all the money that the government is sending out.

However, in Swan River he indicated to the federal government that he needed at least \$1 billion to bail the farmers out so they would in fact be able to spray for grasshoppers and take their crop off. He was indicating that clearly to the federal government. The wheat pool, Sask Wheat Pool, Mr. Speaker, has indicated \$2 billion is needed.

The suggestion we're making here today is that you save money next fall when you pay out crop insurance by doing some preventative action now by allowing farmers a subsidy or a refund on their chemicals, so you won't have to pay so much out later in some of your goofy programs that you have suggested in the past and then backed off from.

Hon. Mr. Devine: — But, Mr. Speaker, I mean, again the hon. member talks about \$1.2 billion in credit to farmers is goofy. I mean, I don't think that's fair; I don't think it's reasonable. We've got that cash available now to people all across this province to deal with these kinds of problems. And I would suggest that \$1.2 billion will be used to spray for any kind of insect that's out there, whether it's midge or whether it's grasshoppers, and they will be spraying. And if \$1.2 billion in cash doesn't help them spray for grasshoppers, then I would be surprised. And I would suggest virtually all farmers, virtually all farmers that have access to \$15 an acre are going to have sufficient funds to spray once or twice for grasshoppers if they see that it's a problem now. And you shake your head and say, no, they don't have the cash to pay for it.

Well again, Mr. Speaker, that won't acknowledge that we've given 1.2 billion. Secondly, they won't acknowledge now that the federal government and the provincial government . . . Mr. Speaker, if the Leader of the Opposition would get control of his members over there so that they'd be quiet enough to listen to the answer, we could deal with a really significant problem. Rather than hollering from your seat you could listen to the response.

The response is that there's been billions of dollars put in by the federal government and the provincial government in cash that was never done before. We've had grasshoppers here before; we've had drought here before, and never has the Leader of the Opposition, under his leadership, provided any money like it. All they can do is sit and holler from their seats because he's got no control over any of them. They didn't even bring it up last year until our member from Thunder Creek raised the issue. Now they're bringing it up after we've put billions of dollars of credit out there. Mr. Speaker, they don't even deserve the time to listen to the whole bunch of them.

Minimum Wage Rate

Mr. Shillington: — Thank you very much, Mr. Speaker. My question is to the Minister of Finance. It has to do with this government's economic policy.

Last evening in the Assembly your colleague, the minister responsible for the Women's Secretariat, defended this government's decision to keep the minimum wage low because, she said, an increase in the minimum wage would increase inflation. Is that the position of the Department of Finance and your officials? Does that represent economic policy of this government, and do you have any economic studies which show that an increase in the minimum wage rate has a significant impact on the inflation rate?

Hon. Mr. Lane: — Let me remind the opposition, Mr. Speaker, that Saskatchewan today under the Progressive Conservative government has the highest minimum wage in North America.

Mr. Speaker, that is not of itself an argument as the opposition makes that it should be — what? — \$7.50 an hour, I believe, or \$7 an hour. Whatever percentage. It was 10 yesterday. Well the small-business community in Saskatchewan is going to be watching with a great deal of

interest if the hon. member is proposing \$10 an hour minimum wage.

Certainly the minimum wage must be monitored from time to time, Mr. Speaker, to ensure: one, that it is a fair level of compensation; and secondly, that it is at a level that the small business can afford, so that raising it too high does not cause unemployment. That's the last thing that we want. It may be the first thing that the NDP want; but again, I must remind the hon. members opposite that it is the highest in North America.

Mr. Shillington: — New question, Mr. Speaker. Mr. Minister, one or more of your colleagues wanted the quotation. Let me give it to you. This is a direct quotation by the minister in charge of the Women's Secretariat.

Prices go up. Expenses go up and they're still at the same point they were before. The theory seems to be that there's a direct relationship between inflation and the minimum wage.

I ask you, Mr. Minister, whether or not you have any documents or any studies from your department to support such a ludicrous theory?

Hon. Mr. Lane: — Mr. Speaker, the hon. member indicates that costs go up, and that's one of the things that this government has been trying to deal with, particularly for those on salary — low income. We've reduced the sales tax on clothing, which is a direct benefit to the people of this province. We've taken the sales tax off clothing. We've protected mortgages. I can go on and on and on, Mr. Speaker. It's been well debated in this Assembly.

But let me caution the hon. member that your policy of last night, which may be a little different of your policy two weeks ago, which may be a little different from your policy of three weeks ago, to find out that last night you're advocating \$10 an hour minimum wage, I suggest would be highly inflationary.

Mr. Shillington: — Supplementary. Mr. Minister, perhaps I could get you to deal with the question as distinct from every other subject under the sun. Mr. Minister, you stated a moment ago that the minimum wage was the highest increase in Canada. Let me give you the percentages.

Over the period of time since you have come into office, the rate of inflation is 21 per cent, but the minimum wage, Mr. Minister, has been held to 6 per cent. Are you aware of those figures, and do you think that's a fair way to treat those at the bottom of the economic ladder?

Hon. Mr. Lane: — I did not indicate any percentage increase. I suggest to the hon. member that's why we have a hearing aid plan is so that perhaps you can begin to listen. I indicated that Saskatchewan has the highest minimum wage in North America. Certainly the minimum wage must be monitored from time to time with the two objectives. One, is it a fair compensation; secondly, at a level that the small-business community who are affected can afford to pay so that there are no lay-offs? We are continually monitoring.

I find it very interesting that an NDP government in Manitoba has a minimum wage considerably below Saskatchewan's. Saskatchewan has the highest in North America, and we'll continue to monitor it.

Salary Rate Increases for SaskTel Executives

Hon. Mr. Blakeney: — Mr. Speaker, I direct a question to the Minister of Finance and the minister responsible for SaskTel. Mr. Minister, you've just told us that you feel that a 6 per cent increase in minimum wage over a period of time when the cost of living went up 21 per cent is appropriate and that you're monitoring it and that you'll make no change.

Mr. Minister, yesterday in Crown Corporations Committee you confirmed that the 18 senior executives at SaskTel received total salary and benefits last year of \$1.335 million, or an average of just over \$74,000 a year, and you told us that they had had increases during that year of 13 per cent.

Now, Mr. Minister, when your government claims that an increase of 6 per cent over more than four years, five years, in the minimum wage is appropriate, and you're monitoring it; and that an increase of 13 per cent for executives getting \$75,000 a year is appropriate; would you indicate why you think that executives getting that kind of money should get 13 per cent increases per year when people at the bottom of the ladder should get 6 per cent over five years?

Some Hon. Members: Hear, hear!

Hon. Mr. Lane: — I've indicated now three times that our province has the highest minimum wage in North America. I suggest to the hon. member that your proposals, again reconfirmed last night, of some \$10 an hour are not financially responsible. Secondly, that the question of the minimum wage — the minimum wage is a floor price. It is not a salary that we would hope most people would stay on; that it is a starting wage, and it is the highest in North America.

Should it be monitored from time to time? Certainly it should, as we are doing that. And I suggest that all of the factors that have traditionally gone into determining the minimum wage will be the factors that will be dealt with by this government. But to suggest that the minimum wage should go up on a constant basis — that's a questionable argument on your part, and I think you know as well as I do what impact that would have throughout the economy.

So having said all of that, I repeat that we now have the highest in North America. Should it be monitored? Of course it should be monitored, and it is being by the government.

Hon. Mr. Blakeney: — Supplementary, Mr. Speaker. In view of the fact that any reference by the minister to my colleagues or I advocating a minimum wage of \$10 an hour is a flat falsehood, and I regret that the minister doesn't know it, and in view of the fact, Mr. Minister, that you are agreeing that a 6 per cent increase in minimum

wages over a period of five years is appropriate, how then do you justify increase of 13 per cent over one year for the top 18 executives in your corporation, SaskTel?

Hon. Mr. Lane: — We went through that particular debate yesterday as to how that arose. The overall increase in SaskTel was in the range of 3.2 per cent — obviously that not picked up by the members opposite . . . (inaudible interjection) . . .

Well I'm glad to hear, because I thought it was totally irresponsible for the opposition to now no longer support \$10 an hour. Because we've had 70 per cent of the industrial rate — which is what? — 7 or \$8 an hour. We've had the immediate one, the hon. member from Regina North East — I believe was what? — \$5 an hour immediately. And so it's nice to see at least one figure that the party opposite has been throwing out is one that's now being disowned by the leader.

So I suggest to the hon. members that right now it is the highest in North America, and we will continue to monitor the minimum wage.

Mr. Lusney: — Thank you, Mr. Speaker. I have a question to the Minister of Finance. Mr. Minister, in a period of economic restraint, when taxes have been increased and the province is already running a \$2 billion deficit, how do you justify spending taxpayers' money on bonuses for top Crown corporation executives who are already averaging about 75,000 a year?

Hon. Mr. Lane: — Well if your argument that the executives of the corporation should not be paid those salaries, I'll be quite happy to pass that on to the Crown corporations. I'm sure they will be very, very interested to know it.

Let me reiterate, because no questions were forthcoming yesterday, about the performance of SaskTel as a corporation, and I think that the record earnings for the corporation, the fact that there has been no rate increase for the last couple of years; the fact that we will be able to supply individual line service to rural Saskatchewan with no rate increase; that we have some of the lowest phone rates again, not only in Canada but in North America, is a credit to the management of SaskTel, and they have been recognized.

I suggest that all of those factors should be taken into account. If your argument is that the people running a several hundred million dollar Crown corporation should not be paid the competitive salaries, which I gather is your argument, I will be most pleased to put that to the officials. I'm sure they'd be very interested in hearing the NDP's position.

Mr. Lusney: — A question to the Minister of Finance, Mr. Minister, you always seem to tend to get off track of the question, and you make up some of your own answers regarding what someone may have said.

Mr. Minister, at a time when someone, or when this province is really in debt, one would think that we would not require to pay executives a bonus in order for them to want to keep their job and to do an honest days' work.

And nobody is saying that they are getting paid too much, but we are talking about the bonuses. They are making 75,000 a year, and it is the bonus that we are questioning.

Mr. Minister, for those that are on minimum wage, they don't require, or at least they haven't been receiving, a bonus to keep their job and to try and make a living. Why, Mr. Minister, would the executives of SaskTel require a bonus when they are making in a \$75,000 range?

Hon. Mr. Lane: — Well I'm disappointed to find out another new policy from the NDP, and that is that they are against bonus for good performance, and that is certainly the very thrust of the comments made by the hon. member.

We are trying to encourage a better performance in the senior management and have undertaken . . . And again I can reiterate the record of SaskTel, but all we need to do is remind people of the record rate increases when the NDP were in power, of telephones, and the fact that people couldn't even buy their own phones under the NDP. There was an antediluvian approach that they had such a restrictive policy over there. We have now opened up SaskTel so that we can satisfy the customers of Saskatchewan. We are making more money. We have lower rates; we have had no rate increases. We're bringing in individual-line service. And I think that that type of performance should be rewarded.

Finally, Mr. Speaker, I think we should remind the hon. members that many people on minimum wage do in fact improve themselves and get moved up into the higher hourly rate increases, whatever it may be, and try and get off minimum wage. So again, we look upon it as a floor, not as a guide-line for people to shoot for as the NDP seem to indicate.

Cost of Advertising in the Saskatchewan Report

Mr. Tchorzewski: — Thank you, Mr. Speaker. I have a question to the Deputy Premier. Mr. Minister, can you inform the Assembly how much your government has spent on advertising space in the Saskatchewan Report news magazine which is owned by one Bill Hunter. And if you are not aware of the exact amount now, and I assume you are not, will you take notice and provide that figure to the Assembly as soon as possible?

I just want to point out, specifically I'm asking for the total amount of advertising purchased in the news magazine by the government departments, agencies, and Crown corporations. Will the Deputy Premier undertake to provide that figure as soon as possible?

Hon. Mr. Berntson: — Mr. Speaker, of course I will get the information. And as the hon. member rightly anticipated. I wouldn't have that particular information at my fingertips. But I want to invite all members to join with me in wishing a happy first anniversary to that particular publication.

Some Hon. Members: Hear, hear!

INTRODUCTION OF BILLS

Bill No. 48 — An Act to establish the Saskatchewan Assessment Management Agency and govern its activities and to provide for an appeal board with respect to certain assessment matters

Hon. Mr. Dirks: — Mr. Speaker, I move first reading of a Bill to establish the Saskatchewan Assessment Management Agency and govern its activities and to provide for an appeal board with respect to certain assessment matters.

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

Bill No. 49 — An Act respecting the Consequential Amendments to Certain Acts resulting from the enactment of The Assessment Management Agency Act

Hon. Mr. Dirks: — Mr. Speaker, I move first reading of a Bill respecting the Consequential Amendments to Certain Acts resulting from the enactment of The Assessment Management Agency Act.

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

STATEMENTS

Apology by Member

Mr. Engel: — Mr. Speaker, before orders of the day I seek leave to make a brief personal statement.

Mr. Speaker, on Monday evening in estimates debate I used a phrase that may have been offensive to an ethnic group. I certainly did not intend it to be an offensive statement to anyone and sincerely regret making it.

Mr. Speaker, I withdraw that remark unequivocally and without reservation. I apologize to anyone I may have offended by that statement.

ORDERS OF THE DAY

GOVERNMENT ORDERS

COMMITTEE OF FINANCE

**Consolidated Fund Budgetary Expenditure
Energy and Mines
Ordinary Expenditure - Vote 23**

Item 1 (continued)

Mr. Lingenfelter: — When we left off last evening, the minister had given me a commitment to send some items. And I wonder at this time if he has the increases for his personal staff and for the top executives in his department, as well as the flights made using executive aircraft; and he also indicated that he would be sending the number of people who were on the flights, but he was refusing to give the people who rode with him or with members of his staff on the executive aircraft. And I just want to leave it at that. I'm not going to keep pushing the minister because, obviously, if he's embarrassed about who flew with him on the flights, that's his business.

But I will want to follow up with a number of other questions on oil production and potash production and that type of thing. But if you would indicate that the flights will be sent across and just confirm what you're going to be sending me, then we'll get on with some of the other issues.

Hon. Mr. Hepworth: — Mr. Chairman, hon. member, as it relates to the staffs, first of all, I think will you now have a couple of sheets that I've sent over. In terms of my office staff, other than for two of the secretaries that are listed there, everyone else was the same, and the secretaries had small increments; I think you can see that.

As it relates to the air travel, that was a fairly exhaustive exercise, and I can assure you that the officials have been working hard all morning to provide it. They have nearly completed the departmental number crunching, and maybe we can even have some of that over here yet this afternoon. It's not that we aren't working hard to undertake it or that we don't want to undertake to provide it to you; we do. It's just that the exercise has been a rather onerous one. And as soon as we can, we will give you what we have as we have it.

Mr. Lingenfelter: — Well, I appreciate that and that's fine. I really didn't expect all of those numbers on the flights to be here today. But if you're giving that commitment, that's fine.

The other number that I want to ask about is on the sheet that you sent across for your deputy ministers. As I read it here, January of '85, 70,248; and then a slight increase in April of '85 to 73,058; and then in September of '85 up to 75,250, for an increase of \$5,002. Is that reading that correctly in 1985, and that there was no increase so far in '86?

Hon. Mr. Hepworth: — Mr. Chairman, hon. member, that's correct.

Mr. Lingenfelter: — This then would have been at the maximum of the formula. Would it have been, or would it have been the 4 per cent plus 2, or the 4 per cent plus 4, for performance?

Hon. Mr. Hepworth: — The increment and the September '85 was a 3 per cent overall economic adjustment for all out-of-scope staff.

An Hon. Member: — 2 per cent?

Hon. Mr. Hepworth: — 3 per cent.

Mr. Lingenfelter: — Okay. So then for the deputy then, we would have had a 7 per cent increase in 1985?

Hon. Mr. Hepworth: — Your number, 7 per cent, is right, but the period that you applied it to wouldn't be correct. In fact we'd have to go back into '84 and into '86, which would be the entire period that that 7 per cent would cover. So we would not want to make the mistake of saying 7 per cent per annum; I'll put it that way.

(1445)

Mr. Lingenfelter: — Okay. And it's a little bit misrepresenting because actually the numbers that we are looking at here are from January 1st, '85 to September of '85 and that may be misconstrued as a 7 per cent increase in actually nine months. And I understand what you're saying, that it actually goes back a little ways, I suppose, into 1984 and something into '86. Is that correct?

Hon. Mr. Hepworth: — Yes, that's correct.

Mr. Lingenfelter: — I want to move now to a subject which is related, but it has to do with the out-of-province travel of the minister. We have talked now about the executive aircraft, and you've given me a commitment to providing me with that list. Can you as well tell me now what out-of-province trips would you have taken, and your deputy, in the period from January 1, 1985 up till April 1 of 1986?

Hon. Mr. Hepworth: — Your question would raise some travel done while I was minister of Agriculture and, the more latterly, while I was Minister of Energy and Mines.

Mr. Lingenfelter: — Keep it at Energy then.

Hon. Mr. Hepworth: — Energy and Mines? We can undertake to put that together for you. I don't have it, but we can undertake that exercise.

Mr. Lingenfelter: — If the minister would have someone working on that now, I would think it would be an extensive list, and if somebody would put that together for us so we could have it before we complete our review of these estimates which I hope, if things roll along here, won't take too, too long.

I want to say as well that the minister or his staff — the memo that I got is signed by the minister — sent me a package of material on June 2nd. I want to say that it makes things go a little quicker, and I appreciate that.

If you have information, I want to start out on what you have titled, "The six-year quarterly statistics for Saskatchewan oil industry performance." If you have that sheet in front of you, we may be able to move along here a little quicker.

What I'm looking for here under the subtitle "wells drilled," you have listed there '85, '84, '83, '82, '81, '80. What I'm looking for here is the first quarter of 1986 under wells drilled. If I could get that number of the number of wells drilled in Saskatchewan in the first quarter of 1986.

Hon. Mr. Hepworth: — First quarter 1986 — 617.

Mr. Lingenfelter: — I want to as well, if you could — down that page if you would follow me through there — give me the metres drilled in the first quarter, the crude oil production the first quarter, and the land sales revenue in the first quarter.

Hon. Mr. Hepworth: — Okay, to go down the sheet then: wells drilled first quarter of '86 is 617; metres drilled is 615.9. The crude oil production — we don't have the

numbers yet because of the time-lag in the reporting on the production numbers, but my officials advise me in fact that our first quarter production this year, in their minds, is going to be, in fact, higher than first quarter last year. The land sale revenue, 8.3 million.

Mr. Lingenfelter: — On the crude oil production, if you could have somebody just give me a rough-and-ready number, and I'll treat it as such. What we were looking at last year, in '85 in the first quarter, was 2.551 million cubic metres. Can you give me ball park figure there, and I will treat it as such? You're saying it'll be a little bit more, but can you be a bit more precise? And then if you would agree to send me the actual when the lag is picked up.

Hon. Mr. Hepworth: — Mr. Chairman, hon. member, I think for the purpose of our discussion, I'm advised that 2.6 would be as good a number as any to use.

Mr. Lingenfelter: — So there is another question in terms of the wells drilled that I want to follow up. When we're looking at the wells drilled, we find that it is slightly lower than '85 — 160 or 150 wells less in the first quarter. And as I understand it, the petroleum incentive program of the federal government was still in place, and there were people drilling into the end of the PIP program to try to make sure that they wind up drilling programs for the previous year. And even at that we had a reduction of 150 wells.

Can you give us a look into the crystal ball and see whether or not that trend of about 150 less will be basically constant? Or are we, as I am assuming, having a major reduction after the end of the petroleum incentive program, where we will be looking . . . as most of the major oil companies and a number of the junior oil companies out of Calgary are telling us, that they're basically cutting their drilling program in about half. And I know that isn't an automatic rule, but I've talked to a good number of them and watched the press. And Husky and others are saying that their drilling program will be about half of what it was last year.

And when we're looking at the first quarter of '86, we're still actually in the '85-86 fiscal year for many of the oil companies. And I suppose the more telling tale will come in the period from April to June of '86. And do you have the number of wells drilled and metres drilled for April and May of '86?

Hon. Mr. Hepworth: — Mr. Chairman, hon. member, the first thing I would say, I think your observations about the effect that the PIP program and its expiry at the end of the first quarter are valid and, I think, reflected in what we saw in terms of the drilling activity to that point in time, and it only being down, as you point out, something in the order of 150.

In so far as what our expectations are — and I think as you put it, do some crystal ball gazing — very difficult. I am my officials who advise me, it would put us in a position that we wouldn't disagree with your number of 50 per cent.

But I guess I would also add that the number one factor in determining what drilling goes on or does not go on is

strictly world oil prices. And crystal ball gazing what tomorrow's price might be is very difficult in what are still very turbulent times out there in the market-place.

It also varies somewhat with the size of the company, independents versus the nationals, in so far as who has the greater financial capacity.

The other thing I would like to point out is the first-quarter trend, because of things like PIP, are not likely to be repeated. So that was probably the beset phase we've seen on drilling. We're not likely to just find ourselves with 150 less wells each quarter. And in fact the April 1 to May 23rd, which is our most recent set of statistics, show that the number of wells drilled there is 19.

Now I caution you to put . . . over-react on that number as well, because that was the break-up period. And the metres drilled was 28.8.

But I would be kidding you and everyone else if I said that we believe that drilling was going to only be 150 wells off per quarter through the rest of the year — unless, of course, something happens on the world oil pricing.

Mr. Lingenfelter: — The minister has indicated that the . . . And I didn't catch the time period that 19 wells were drilled. Maybe he will give that to me, that there were 20 . . . I didn't catch the number of metres either. But would you do a comparison with '85 for that time period? And I will take it for what you tell me.

Obviously the road bans were on during break-up for part of that time, and especially in the south-east where they got the tremendous rains last fall and they weren't able to move very much. If you would give me a comparison on that time period with '85.

Hon. Mr. Hepworth: — I have these highly competent officials, and it turns out they do have the comparable number for April 1 to May 23, which was the time frame. This year it is 19, and last year was 237. And the metres drilled that you had said you had missed was 28.8 — 229.4 last year; 28.8 this year.

Mr. Lingenfelter: — Well I think that the observation of that kind of a dramatic reduction in drilling is startling. I would hope that that trend wouldn't continue, just as the other one isn't going to continue, and that somewhere in between, probably a 50 per cent drop in drilling, we would hope, would be able to be maintained, which would end the year around something a little under 2,000 wells. Maybe a little more than that if the first quarter keeps us up there.

But what we're getting back to is a drilling program of around 1,500, I would imagine, which is what it was in 1980, and probably where, in Saskatchewan, where we can realistically believe that we can maintain oil drilling over a longer haul.

And I just make this point, that there are people in the industry now, and particularly in the small-business sector, in Weyburn and Swift Current and Kindersley and Lloydminster, who are now saying to us that that peak period and the heady days of 1984 and '85, where we

were drilling 3,500 wells or 3,000 wells, that in many ways the infrastructure that we built up in '84 and '85 in some of those cities . . . And the minister will well know in Weyburn, where the business trip along the highway — they doubled the number of motel rooms and they doubled the number of eating outlets — that if we could do it over again, that we would be better off as small business in those communities to have a constant growth in the oil industry, of 1,500. If we could maintain 2,000, so much the better.

But to have this violent swing from 1,500 to 3,800 and now back down to 1,500 is going to have a tremendous impact for those small-business people who went out and, on the predictions of the Premier, built new motels and new cafes, based on the fact that they believed what he said when he led them to believe that this would go on for ever.

There were very few people who were looking at what was happening here from the outside when there was a more general downturn in the U.S., and it was gradual and it wasn't nearly as profound. They could see the false economy that was being created in Saskatchewan in the boom and bust cycle that we were setting up. I'm not here overly critical of what the government was doing because during those days when things were booming, it did appear to be good for everyone. But now we're facing the inevitable of the bottom falling out, which it always does in the oil industry, and it will again. We'll have peaks and we'll have troughs in the oil industry, and what we have to do, I believe, is have incentives for oil companies when times are bad. I believe that what you're trying to do now, Mr. Minister, has some validity to it where you're trying to help out the small operators when times are in one of the troughs.

(1500)

What I could never figure out is why, when the peak time was on, we would add to the heated-up market and create an even more false economy in an industry where psychology is everything. And if you've been around that industry very much you will know that when times are booming and you're drilling an oil well, money means nothing if the times are good. But on the reverse side of it, when the times get tough, the reverse is true, and you always have these exaggerated circumstances.

And of course my preference would have been — and, I suppose, hindsight is always more perfect than looking ahead — but we predicted that this would happen, that when you heat up an already heated market, which you did with incentives for drilling oil wells, especially infill drilling — and I'll qualify my criticism to giving royalty free periods for infill drilling as opposed to exploratory, because I can understand even now a New Democratic government would have incentives for exploratory drilling the way we did in the 1970s — I understand that.

But to have royalty-free periods for infill drilling never made a lot of sense to me. And I think we gave away a good deal of money in the good times that the treasury should have been taking so we could pay it out to the oil companies and the small operators now that times are tough.

Here I'm not being argumentative, but I'm just stating what I believe to be a better policy of public administration within government . . . (inaudible interjection) . . . Well the member for P.A.-Duck Lake is once again talking from his seat in his jocular and foolish manner which he always does. And it's hard for me to believe that he's the Minister of Justice, talking about salt water . . . Many oil companies drill dry wells, obviously. What oil companies do is drill oil wells, and some have oil and some don't, and that's not unusual . . . (inaudible interjection) . . . yes, we drilled a number of oil wells last year; I think the company I'm involved in drilled 10, and some of them were dry, some of them had salt water, and some of them had oil. And that's not unusual.

The thing that is stupid is the minister from P.A.-Duck Lake not understanding the oil drilling area to the point where he doesn't even understand that all oil companies don't drill dry wells and, in fact, don't use salt water in the extraction of oil. I mean this shows how ridiculously naive the Minister of Justice is, and I suppose as the days go by, Mr. Chairman, is how that member has nothing better to do with his time . . .

Mr. Chairman: — Order, order. I believe that the member is wandering from the topic, and I ask him to get back to the topic.

Mr. Lingenfelter: — And I would very much appreciate from the chairman, if when the member from P.A.-Duck Lake is yelling that . . .

Mr. Chairman: — Order. Order. Just get back to the topic please.

Mr. Lingenfelter: — I think the debate was going on very well here between the minister and myself before the Minister of Justice got into it, and if he would choose to do a little work from his seat, we could carry on because I think this is an important issue and one that was a great number of questions will be asked as the day goes on, and I appreciate the candidness with which the minister is answering questions.

And if we continue on, if we want to get into a political harangue, we can do that too, where we've been able to do that from time to time; and if we want to do the business of the department, we can do that, or we can have a harangue with the Minister of Justice who continually shouts from his seat and carries on.

But I want to go back to the important issue of the cycle and continuous growth within the oil industry. And I want to ask the minister a question about the massive amount of incentives that were given to the oil industry at a time when the world prices were the highest in the history of the world. They'd never been higher in the period when you were giving massive incentives for infill drilling.

And what infill drilling is, basically, is an oil company, who previously had 160-acre spacings, would apply to the department for 80-acre spacings, and this was happening in my area. They would come in and apply to have the spacings changed from 160 to 80; it was being granted, and they were going out and drilling new wells

into the existing oil field and getting a royalty-free period — no risk involved. The geology clearly indicated that there was oil under the 80-acre spacing that they were applying for, and they would get a royalty-free period.

Now we're not talking about small amounts of money. Some of these wells that were drilled in our area, on 80-acre spacings rather than 160-acre spacings, were producing 3 and 400 barrels a day. And if you look at a royalty-free period, the pay-out on those wells totally was less than 60 days — was less than 60 days — and they paid no royalty for 365 days. And they were very, very lucky, I suppose, and I understand why they would support a conservative government who would have that kind of revenue, on behalf of the taxpayers, to give away.

But in retrospect, I wonder whether or not the minister would agree that if we could do it over again, that some of that money that we had — that some of that money that we had, if we could do it over again, would be better put into the oil industry today on the bottom end of the cycle where many small operators are going broke. And we really can't do what we should be doing now because we're \$2 billion in the hole; we didn't save up the money when world oil prices were high, and now we're in a position where we should be helping out the oil industry, and we don't have the cash to do it.

Hon. Mr. Hepworth: — Mr. Chairman, hon. member, a number of points were raised in your remarks. The first one I would make is based on your observation about the effect of boom and bust or cycles in the oil business or, for that matter I suppose, any business, and the effect on the Weyburns of the world and Swift Currents, and so on. Because we recognize that there is so much employment, firstly; and secondly, so much economic spin-off that's enjoyed by communities like that and because this industry is so important in Saskatchewan, it's because of observations like that that we made the changes we did here three or four weeks ago. It's not just good enough to tailor-make something or focus it on those who directly have jobs in the oil patch; it's also important to recognize those who work in the restaurants and the cafes because those jobs are intimately tied to the oil patch. So it's exactly why we made the changes.

Relatives to your comments about why would we heat up an already heated up market, well obviously your definition of an already heated up industry and mine are quite different. In '81 and '82, in this already heated up industry, as you described it, there were 807 and 809 wells drilled, based on that sheet I sent over to you. That hardly sounds like a heated up oil economy. Plus, during that time when your administration was in power, you had the luxury of an expectation there amongst the oil producers of a world oil price that was going to be \$60 a barrel. So here we had an oil producer under an NDP administration looking at possibly \$60 a barrel, and the best he could do was 807 and 809 wells.

When we came along in '82, already the pendulum had started to swing. Oil producers were more cautious in their expectations; down trends were starting to establish themselves. And during that time of certainly something less than \$60-a-barrel forecasts, drilling picked up dramatically with the changes that we made here in

Saskatchewan.

So all I've got to say to you is that Weyburn doesn't want NDP-style heating up of the oil economy again because when it was heated up under the NDP, our oil patch was shut down. There was virtually no drilling. The El Rancho was boarded up — and you know that place well, and there's people there today from Shaunavon originally who are doing very well and just love to have those seismic crews in there month after month after month.

Weyburn doesn't want to have to go and do again like they did in the middle of the last decade and circulate all across their town and that city petitions urging an NDP government to do something in this heated up economy. It was so heated up that half the town was closed down, half the businesses were closed down, and the oil patch was idle. So we don't want any more of this NDP heating up the oil economy; we can't stand it, it's so good.

Now as it relates to infill drilling: this is something that we take very seriously, as do you. We are custodians of this resource of the people, and we don't want to see the provincial taxpayers abused. I think you would agree with both of those goals. We're all interested in conserving and looking after this valued and treasured non-renewable resource as best we can, not only for this generation but for generations to come. And there is no infill drilling allowed unless it's proven to the satisfaction of my officials and our department that in fact that well is going to, by drilling it, going to get some oil that would otherwise not be gotten. That is a fact.

And hence, if we also have the goal, you and I, of securing and assuring a future oil supply here for the next generation, and if it makes some sense to get that oil out of the ground we wouldn't otherwise get, we allow for the one-year royalty holiday on infill drilling. Because to not, and to use your logic, then it would suggest that (a) that well wouldn't get drilled; (b) that oil wouldn't get pulled out of the ground.

And it wouldn't matter what the royalties on it were — 80 per cent, 90 per cent, 210 per cent — it wouldn't matter because it would stay in the ground; it wouldn't get drilled. So you wouldn't need seismic crews; you wouldn't have people stopping at the El Rancho; you wouldn't have the restaurants busy; you wouldn't have the service sector busy; you'd have neither jobs, economic activity, nor revenue for the province if it stayed in the ground.

But I shouldn't be surprised by your question because you and I obviously have a different philosophical approach on how you treat the industry and whether you're interested in conserving in the long-term security of this industry. The other point, and one that very often fails to be appreciated and really does address the whole question of security supply down the road, is that in many of these instances the infill well becomes part of a larger strategy for some of these producers in terms of enhanced oil recovery projects, in terms of injector wells, that kind of thing.

(1515)

So I would argue that we get a lot of economic spin-off, maybe much more than conventional drilling, by allowing the infill well to be drilled to get that extra drop of oil. Now you have argued that there is absolutely no risk, I think those were the words you used. I suspect that I could find a number of oil producers that would laugh in your fact at that remark because that game is something less than ever having any certainty about it in terms of putting down a well and expecting it to perform as one would like.

So I think you're off the mark in your comments that there is absolutely no risk. But the overriding factors and the ones that we must remember is there are no infill wells drilled unless these people here are satisfied, point number one. Two, it often fits a larger strategy in terms of EOR (enhanced oil recovery).

And the other reason that this government has employed the overall strategy we have in dealing with the industry is, quite frankly, not only could Weyburn not afford the NDP heating up the oil industry, the provincial taxpayer couldn't afford to have you people heating up the economy any more in the oil side. Because your incentives, if we look at '81 for example, the taxpayers gave the oil companies \$77,000 on average to drill a dry hole. In 1985, our numbers last year, if you factor in the incentives — \$32,000. And, of course, we only have the successes.

So I think our record stands. What I hear the oil industry people in Weyburn saying, whether it's the waiter or the waitress of the cafes in Weyburn or the people who work in the oil patch in the service and supply sector, quite frankly they're scared that you guys might even get close to the levers of government again when it comes to their jobs.

Mr. Lingenfelter: — The minister has made several statements about what happened in the period 1980 and '81, '82, and for the record I just want to indicate to them, by your own estimates or statistics you sent over, 1980 under Al Blakeney and the New Democrats there were 1,498 wells drilled. Then came the national energy program, it went down to 807. And if you look in Alberta that change . . . the scale is directly comparable with the national energy program, and I'm not asking you to accept that, I'm just stating facts and that it was in large part due to the national energy program.

It's as legitimate for me to argue that it was the national energy program that reduced it from 1,500 wells to 800 as it is for you to argue that we're going to go from 3,800 this year down to less than 2,000. How, on the one hand, is it the total responsibility of the provincial government to keep oil drilling up when there's a New Democratic government, but when there's a Tory government it's outside influences that are forcing the number of wells drilled down this year? And I mean the public will decide which argument is true or which is accurate, and of course that's fair. But you have just indicated to us that last year, in a period from April 1st to, I believe, May 21st, the number of wells drilled this year is 19, down from 229 last year. I want to say that never in the history of the province has there been a drop in well-drilling in this province like that time period — never before. That's the

worst record in terms of a reduction in wells drilled . . . (inaudible interjection) . . . It is true. Going from 19 this year, from what was 229 last year, is the worst record for that time period ever in the history of the province.

And I'm not blaming that on the Conservatives — I'm not blaming that on you. I'm saying it's circumstances that are from the outside. I would appreciate if you would have the at least common decency to appreciate, with the national energy program, what was happening in Alberta and Saskatchewan as a result of taxation by the federal government, was a cutting in half of wells being drilled, because the government didn't change between 1980 and '81 when there was a great drop in the number of wells drilled with the national energy program. And I know the people in your department understand that. I don't know whether the minister understands or whether he's just playing the political game.

But I'm not going to play the political game of saying that the reduction this year from last year, from 229 to 19, is the responsibility of the Conservative government. And the reduction in Alberta, which is similar to that, is not the responsibility of the Conservative government, but is simply a mechanical responsibility to what the world prices are doing.

The simple fact is that when I talk about psychology in the oil patch, the oil price today in Saskatchewan is higher than at any time in the 1970s — higher than any time in the 1970s. Even today, as we speak, the oil prices today the oil producers in my area and your area are getting are higher than at any time in the 1970s. And that's what we're talking about — that's basically what we're talking about — is that we drilled many of the wells in 1984 and '85 that would have been drilled in 1986.

It's like having a program for building houses. And I agree that when you give incentives, people react to it, but the reaction lasts for a certain length of time, and I don't care how many incentives you give now. The biggest thing is whether or not they can sell the oil. And if there's no sale for it, they're not going to drill wells, nor should they. Why would they? And that's what was happening in 1981 and '82. That's what was happening; there was no sale for it.

And you remember why the wells were shut in. The price was all right, but they couldn't sell it. What are you telling us — that you're really trying to make people believe that people were shutting in wells because there was a Conservative government or an NDP government?

I mean, everyone knows that that is a naive position and that everyone knows that they're not quitting drilling this year because there's a Conservative government. Obviously that isn't the reality. The reality is that oil companies will drill when there's a profit to be made. And they're not drilling this year because they can't sell the oil and because the price isn't as high as it was last year.

But I'll tell you, if the market was wide open and there was optimism in the world market for oil, regardless of what government was in Saskatchewan, they would drill for oil. And that's a fact, because they've done it before. In 1980 — 1,400 - 1,500 wells — that's what was drilled.

And that's when they were selling and making a buck. And yes, I suppose they would rather have a Conservative government than an NDP government because they make more money under your government. That's a fact; they do.

But on the other hand, the people of the province are getting less, which leads me to my next question. I have here a list of provincial revenues from oil. That includes the royalty and the land sales. And I just want to check these with you.

In 1982, the numbers that I have here, revenue from royalty and from land sales was 700 million; in 1983, 685 million; in 1984, 740 million; in 1985, 655 million; and in 1986 the estimate in your Estimates, 511 million. And yet you've already indicated that production in the first quarter has increased from where it was last year.

I understand on the oil companies' side why they liked the Conservative government — because they make more money. I agree; I concede that, that they make more money. And if you gave them more breaks they would even make more money. I understand that. That's fairly simple.

But on the other side, the people who own the oil, how are they making out? I understand your argument about jobs and that. I am now talking about the people who own the oil. That's the million people who live in the province. How are they making out?

In 1982 — I want you to confirm this — the revenue from oil and land sales was 700 million. Is that an accurate estimation, within 10 or 20 million, in terms of what we got from oil and land sales?

Hon. Mr. Hepworth: — Mr. Chairman, hon. member picking up on some of your earlier comments here, you made the point about how . . . the reason that drilling went down from 1,500 wells down to that 800 level. It was because of the national energy program. I guess the observation I would make, and those in the oil patch make to me, is that that's what we got from the Trudeau-Blakeney coalition. That was their idea of standing up against Ottawa on behalf of oilfield workers.

We hear a lot, Mr. Chairman, in this legislature, particularly from the Leader of the Opposition, about how you've got to stand up against Ottawa — stand up against Brian Mulroney. Well I'll tell you what, Mr. Chairman, what did we get when the former leader of the opposition stood up against Ottawa? The only thing he did is when he stood up his arches caved in. Because we didn't get the capital gains tax removal; we didn't get the taxes off farm fuels; we didn't get the elimination of PGRT (petroleum and gas revenue tax). What we got was a shut-down oil patch in conjunction with NDP policies here.

So I'll tell you what, Mr. Chairman, I'll take, any day of the week, our Premier standing up and speaking on behalf of Saskatchewan in Ottawa, any day, over those members opposite, Mr. Chairman.

And when it gets to records, and records in terms of

revenue, I remind the people of this province and members in this House, and these so-called good times and times of high oil prices in the mid-70s and the early '80s that the hon. member referred to, once again in Saskatchewan the taxpayers, the people of this province, couldn't stand those good times. In fact they were so good in 1975 we got zero dollars in land sale revenue in these very good times of the high oil prices that the hon. member talked about. In 1975, zero dollars; not one piece of land was sold, Mr. Chairman. Not one piece — zero dollars.

In fact, Mr. Chairman, our program has become the envy of the nation and, in fact, the envy of countries of the world over. They have followed our lead. And some would say imitation is the sincerest form of flattery.

The hon. member has also tried to leave the impression, erroneously, that a Tory government is good for the big oil companies. Two things wrong with that. First of all, 70 per cent of the producers in Saskatchewan are small independents, family operations, not unlike probably the one the hon. member is involved in. The first thing wrong with that statement is that 70 per cent of the work done here is done by independents, small independents. Okay. Point number one.

The second point is, Mr. Chairman, is he tries to leave the impression that these big oil companies get all this cash from the Tory government, and their pockets are just overflowing with it, and they fly the province, they fly the country. Well the reality is, Mr. Speaker — I think the numbers that I would use are from last year, certainly in the last year or two — is that they reinvest to the tune of 106 per cent. We've got a net inflow into here, Mr. Chairman, not an outflow.

So these big, bad oil companies, not only are they spending every dollar, but they're finding 6 cents and spending \$1.06 going right back into this province, Mr. Speaker. Now that hardly is consistent with the image of these big, bad oil companies drifting off to some place else with our money. It's just not true, Mr. Chairman. Just not true.

Now the hon. member referred to in his final remarks, asking the question, asking me to confirm in fact that oil revenue in '82-83 was \$700.3 million. No, revenue from provincial sources, Mr. Chairman, was in fact 425.1. The difference is: the export tax was 217.4, and the NDP incentive expenditure had to be paid out which was 57.8, which brings us down to something in the order of 425.1.

(1530)

Mr. Lingenfelter: — What I'm asking you is: from royalty on oil and land sales, what was the revenue in 1982? That's the question I'm asking because I want to make a similar comparison for this year. What I want to know is what the royalty from oil and land sales was in 1982?

Hon. Mr. Hepworth: — The numbers are: oil royalties and freehold tax production, 419.4; bonus bids for land sales, 43.0, which gives you a total of 462.4. But I caution the member in terms of how he uses those numbers so as not to twist and distort them, because those are the two

numbers you asked for very specifically, but of course that doesn't include things like the pay-out for the NDP incentive, okay?

Mr. Lingenfelter: — Where are you getting these numbers from? Are they from the blue book estimates or as a result of the final result? Because this is not what was estimated in the '82-83 blue book, nor is it the actual. What I'm looking for, and I will refer you to my Estimates — I'll have someone go pick them up for me. but in '82-83 you're either totally out to lunch on what you're telling us, or else the blue book estimate is not accurate, because we're a ways off on that. And I want you to confirm what you're talking about there.

Hon. Mr. Hepworth: — Mr. Chairman, hon. member, these are '82-83 actuals.

Mr. Lingenfelter: — The minister has indicated that these are actuals. The production for that time period, can you give me that number?

Hon. Mr. Hepworth: — Mr. Chairman, 53.6 million barrels.

Mr. Lingenfelter: — Would you convert that to cubic metres for me?

Hon. Mr. Hepworth: — Mr. Chairman, 8.5 million cubic metres.

Mr. Lingenfelter: — And what was the total value of that oil when it was sold, the total value at that current price? And if you could also give me the average price of a cubic metre for that time period.

Hon. Mr. Hepworth: — The value of oil production was 1.4323 billion — 1.4323 billions of dollars; average oil price, \$26.73 per barrel.

Mr. Lingenfelter: — Would the minister then give me, for the period '85 - '86, the same figures for the total amount of production, the average price, and the total price of oil sold that year? And also the revenue to the province for land sales and royalties?

Hon. Mr. Hepworth: — Mr. Chairman, to expedite this, I've taken the opportunity of converting the production to millions of cubic metres. So oil production, '85-86 blue book, '85-86 production, 11.6 million cubic metres, or 72.9 million barrels. The value of the production, 2.4183 billions of dollars; average oil price, \$33.17. And to provide you with the parallel numbers in terms of the revenue, oil royalties, and taxes, 512.9 million; the bonus bids from our land sales, 110.0, for a total of 622.9. And I think that should enable you to do the calculation I think you have in mind.

Mr. Lingenfelter: — What we have seen here then is the total price of oil. I just want to confirm this going from '82-83 from 1.4 billion up to 2.4. I would like you to confirm that first, that the increase in total revenue from oil in the province has gone from 1.4 in '82-83, to 2.48 in '85-86?

Hon. Mr. Hepworth: — Mr. Chairman, hon. member,

what I've given you were blue book Estimates, 1985-86. I think in the final analysis, what they will show is that they are on the high side, but that is the origin of the numbers.

Mr. Lingenfelter: — The numbers that I gave you, or that I'm confirming here, 1.4 billion in '82-83, and 2.48 or 2.5 billion in '85-86. Those are accurate?

Hon. Mr. Hepworth: — The '85-86 blue-book number for the value of oil production is 2.4183 billions of dollars. That's '85-86. It went from 1.4323 billion to 2.4183 billion.

Mr. Lingenfelter: — So that's basically an increase in the total amount of revenue from oil of 1.1 billion, roughly — 1.1 billion increase in that time period?

Hon. Mr. Hepworth: — Approximately 1.0 billion, yes.

Mr. Lingenfelter: — And then on the other side where you talk about the provincial revenue, '82-83, 462.8 million; and '85-86, 622.9 million, or an increase of 156 million?

Hon. Mr. Hepworth: — In terms of the revenues, the two numbers that you have are in '82-83, 462.8 million; and '85-86, 622.9 million. Once again I caution you because either you've got to subtract out the NDP incentive or add 110 million, I think it is, to our numbers. So in terms of what you're going to do with them down the road, I just throw in that caveat.

Mr. Lingenfelter: — Well the clear indication though is there's a drastic increase in the oil revenue in the province, in that time period, of approximately 1.1 billion, and the revenue to the people of the province, their share of the 1.1 billion by your numbers, is 156 million, and that the other 844 million has gone elsewhere.

And you can talk about the drastic increase in spin-off and what it has done for the province, but the simple fact is that if you look at the unemployment in the province in that same time period, it's gone up by about 3 or 4 per cent. If you look at the deficit of the province in that time period, it's gone up by \$2 billion. If you look at the number of people on welfare, it's gone from 45,000 to 64,000. So at the same time as you're talking about this great boom in oil and all its done for the people of the province, there are people in the province who don't believe that there has been a great, exciting time as the result of increasing their production, which has happened from 8.5 to 11.6. They wonder whether or not they have been getting their fair share of the return from the oil.

And I just say to you, it's a bit difficult to believe when we go to this year's estimates, and I want to turn your attention to the estimates for 1986-87, in terms of the revenue from oil.

Even though you have indicated that in the first quarter there is an increase in production, the estimate that we're looking at actually shows a decrease. And maybe you will give me that number for '86-87. What are you estimating the revenue from oil and land sales to be?

Hon. Mr. Hepworth: — Mr. Chairman, hon. member, as I warned you — or cautioned you, rather — because I feared that you might be making some calculations and using only selective numbers . . . And I suppose why I was suspicious that that might happen is that I've seen it happen before when I sat here in estimates, when my predecessor dealt with the opposition on this question.

(1545)

You come up with a difference in revenues and you come up with a difference in value of oil production and make the argument that some . . . over \$800 million just . . . the oil companies got \$800 million-plus, and the taxpayers got not nearly what they should have got.

But once again you forgot that when the NDP took money in on behalf of the province and the treasury and the taxpayer, under your program you gave some back. Do you remember that? And that's why, if you want to be correct about this, you've got to factor in that \$57.8 million, in '82-83 actual, that you paid out. You collected, under oil royalty and taxes, this 419.4, and bonus bids, 43, but then you turned around and gave 57.8 back. And you failed to adjust the subsequent calculation you did for that number. Worse than that, for the provincial taxpayer you actually got an IOU out there to the tune of about \$300 million you left us with when we took office. So now if we really made these numbers right, I don't know what we'd end up at; at \$357.8 million that should have been given back.

So that's why I caution the hon. member, you've got this phoney mathematics that you apply in terms of your logic here. But worse than that to try and leave the perception and to try and scare all the folks out there in the oil patch that there's \$800 million that sort of somehow grew wings and left the province, that too is untrue. And I make the point again, and I make it very, very clear: 106 per cent reinvestment — a net inflow, not outflow. That's where the money came. Not only did we get more for the taxpayers, but we had it coming in from other provinces into this province. And you made the case that in your mind the taxpayers, the citizens of this province, weren't getting their fair share.

The question I ask is: how can the NDP be right and everybody else wrong in their observations on this one? Is it not true, as I stand before you here in the legislature today, is it not true that Saskatchewan has, even with the adjustments we made three weeks ago or so, is it not true that Saskatchewan has the highest royalties in North America?

Now I can see why the member is hanging his head, because virtually everything you've put up in this last set of questioning here has been warped, you've used mathematical jiggery-pokery, and in fact you haven't presented the correct face on what's happening.

I say, Mr. Chairman, in this province under this administration, the Grant Devine administration, the taxpayer is the winner; the people who have jobs in the oil patch are the winner; the people at Saskatoon Oilfield Manufacturing are winners; the people who work in restaurants and cafes are winners. Everybody is a winner

as much as one can be a winner today, Mr. Chairman, in this province, given that we're dealing in the 12 to \$14 a barrel world oil price.

The '86-87 estimates that you asked for: oil production, 11.6 million cubic metres, 73.1 million barrels; value of oil production, \$1.7026 billion; average oil price, 23. 29; oil royalties and taxes, 413.6 million; bonus bids, 75.0 million.

Mr. Lingenfelter: — And I want to ask you: if you add the . . . Well first of all on the bonus bids, how are we making out working our way towards that 75 million? How do you break that down? How do you expect those sales to go? I just want to get you on record in your prediction. We have seen the estimate of 75 million. I'd like you to break that down so I can follow you through in the June sale, and so on, where you're going to get the 75 million. I'd like to get your prediction on that.

Hon. Mr. Hepworth: — Mr. Chairman, hon. member, as you will know, in this fiscal year we have yet to have a sale. The first one, I think, is slated for June 10. My officials advise me that the postings look good, and it really does depend on what the oil price is about that time.

When oil was \$10 a barrel in March, it wasn't all that encouraging. Ourselves, like Alberta, ran at about 30, 35, 37 per cent of the previous sale year over. And in terms of sort of estimating this fiscal year versus last fiscal year, the only land sale we've had since we've had to deal with this new low world oil price was the March sale. And I suppose it met our expectations in terms of being in the ballpark versus sales in Alberta, but obviously down from a year over.

Mr. Lingenfelter: — Mr. Minister, I want to indicate to you that what we see happening here is a direct shift in the provincial government's take from oil as a percentage of the total sales, has gone down fairly significantly; and that the amount that the taxpayers are getting from their oil, even though production has increased relatively dramatically, has not increased correspondingly. And you can argue that any way you like, and I think the indications are all there that we're not getting our share.

The simple fact is that you can't deny that we have a \$2 billion deficit. I mean, that's clearly an indication of how well you're doing in terms of getting our share out of our resources — that you're not getting our share. And here we have an indication, an estimate of \$488 million coming from oil.

Now if we look at what we're planning to get from income tax — and the Premier likes to say, always, that we get more from oil than we do from any other area of taxation — if you look at the estimate that we're predicting to get out of individual income tax this year, 612 million.

And I would ask you: when is the last time that we got less from oil in this province — less from oil in this province than from income tax? It's a fair little while ago. Even in the tough times of the national energy program, believe it or not, the money coming from oil . . . And that was in

relatively tough times here and in Alberta. And I find it interesting how you separate Alberta from Saskatchewan when the cycle is going that way with an NDP government, but now in your era you want to compare yourself in saying the same thing is happening in Alberta. But when it happened in 1980-81 there was no relationship and it was all because of the NDP, but now when it's down here, no comparison being made with the fact that it's because of a Conservative government here. And I find that quite interesting and pretty simplistic.

I really don't believe the minister believes it. I really don't believe that he expects people to believe him when he says that oil drilling in this time period, from April 1st to May 21st, has gone from over 200 to 19 and that's not the responsibility of the Conservative government — a decrease of a good deal more than it was from 1980 to '81 under the NDP government, but that was the fault of the NDP government and not the national energy program — even when the same decrease was occurring in Alberta in that same time period.

When we talk about standing up and fighting, I think Peter Lougheed, the premier of Alberta at that time, and Allan Blakeney, did a good job under the circumstances. I believe they did. And if you're saying Peter Lougheed, with 90 per cent of the production of oil, didn't go a good job, and you're on the side of Getty in Alberta, Don Getty, who people in the oil industry laugh at compared to Peter Lougheed, I'll say that Al Blakeney and Peter Lougheed did a good job under the circumstances.

And if you can blame them for the reduction in well drilling from '80 to '81, and yet are not responsible for the reduction in well drilling this year as minister, that's drawing a long bow. How can you possibly say that the minister and the premiers who were in place in 1980 and '81 were responsible, but now that you're the minister you're not responsible for the reduction in wells being drilled? I mean, that's as phoney as a plugged nickel.

And I expected more from you. I don't believe that's the words that are coming from your advisers. I just don't simply believe that they would say that premier Blakeney in 1980 and '81 was responsible for that reduction in wells being drilled, but somehow the Devine government is being let off the hook. I don't believe that they're advising you that that was the case.

I think that, if you were being honest with the committee and listening to your advisers, they're telling you that in 1980 and '81 the reduction from 1,500 to 850 was in large part due to the national energy program; and that similar reduction in Alberta was not the responsibility of Peter Lougheed but was the responsibility of Pierre Elliott Trudeau and others in his cabinet; and that today, in large part, the reduction — and I'll give you that credit — I'm not blaming it in a political, partisan way that the reduction from 227 to 19 in the period from April 1st to May 21st is totally your responsibility.

But what I'm saying is that always in the oil industry there's going to be outside impacts that will shut in oil wells, as they will be in this province if the trend continues of a world oil glut. If you stay until next April, and hold off and are fearful of going to an election until

next April, and all the oil wells shut in as a result of a world demand being reduced, I'm not going to blame you.

But simply in fairness you should have, I think, the argument straight that, if Al Blakeney and Peter Lougheed were responsible for a reduction in wells being drilled in 1980 and '81, then you would be man enough to stand up and say: and I am responsible for the reduction today.

Like, the two arguments aren't consistent, and the public out there know that. And maybe this is one of the reasons that people in Weyburn are so disappointed that this doublespeak that we hear coming from the minister — when he has trouble in agriculture as minister of Agriculture, and now has trouble in energy and Mines — to say it's not my fault, I have no responsibility; but I'll tell you, the premiers who were back in '81 and '82, they were responsible, but when I'm minister I'm not.

I say that's a minister who's not doing his job, and I find it hard to believe that that's what your advisers who are sitting by you are advising you to say. I don't believe it. I think you're making this up, sort of going by the seat of your pants. And I would say to the minister, if that is how responsible he is — that he would say he's not responsible for the reduction in wells being drilled but previous ministers were — that isn't a consistent argument.

And before I take my place I see that individual income tax this year in Saskatchewan will be 100 million more that individuals will pay in income tax than we're getting from oil. And I wanted to ask you: when is the last time we got more from income tax than we did from oil revenues? When was the last time?

(1600)

Hon. Mr. Hepworth: — Mr. Chairman, the hon. member makes the point that politicians shouldn't be held responsible for world factors, I suppose. And I suppose he's right except that, how do you explain in the early '80s when oil prices were going up and drilling was going down, and today oil prices are going down and drillings going down? There's an inconsistency in the logic there.

The question of whether the taxpayers' getting the fair share . . . and as I pointed out earlier, we as much as anyone are of the view that in fact we are custodians of this resource and in fact do want to get the best out of it for this generation and next. And I think our record stands as a tribute to those two goals. Because I could stand here and point out the additional spin-offs. And I would argue that if we had not done what we'd done, you'd be criticizing us for not creating jobs out there, and you'd rather have some program where you pay a grant or something for a short-term job. I mean, that's the NDP style.

Our view was, let's take the industry in a very fundamental sort of way and see if we can't put some good underpinnings here. And hence we did get the jobs, and we did get the economic spin-offs, inside and outside the oil patch.

And I could also talk about the . . . I think it's something in the order of now \$50 million-plus that farmers receive in surface rights — not an inconsequential number, but certainly one that doesn't show up in the blue book. But certainly they are people of Saskatchewan and taxpayers in this province.

And I could talk about the . . . I think it's something in the order of 200 R.M.s out there that receive some revenues from oil producers, seismic, that kind of thing. And I mean, one has only to drive around, certainly in my constituency, and see the contribution that those oil producers have made to the quality of the roads — all-weather roads.

I saw the numbers one time about how much an oil well represents in terms of land assessment. It's very substantial. And if we added it and factored all those things into this, the report that I would give to the legislature would be even more glowing than that which I have already given.

And that doesn't count the income tax. Maybe that's why the income tax revenues is up to this \$100 million additional, as you pointed out, is because of all the income tax we collected from these drillers and oil producers and operators and waitresses and waiters. I mean, that's all the spin-off, the indirect revenue as opposed to the direct.

But you continue to suggest that we have the give-aways, that we're not getting our fair share. You continue to suggest that we should raise royalties, that there should be no incentives. But we don't want the oil patch shut down due to governmental policies that are maligned. We want to do what we can.

Our total goal as a government is three-fold. And today I would suggest to you that the human dimension is the most important of all, and that is maintaining jobs in the oil patch and in those industries that are indirectly related to the oil industry. That is our first goal. Because, since 1982 through to '85, the number, directly and indirectly working in this industry, doubled. That's a fact — doubled. And there's just too many families out there today for them to have to take this NDP abuse every time, and to be embarrassed that they're in the oil industry, and that they be called crooks and robbers, and that the minister is a minister of social welfare for the oil companies. Then you wonder why they're scared that you'll even get close to the levers of government again. They are the most important. There's too many jobs and too many families' livelihoods at stake.

And the hon. member referred to my constituency, Mr. Chairman. The hon. member referred to my constituency. And I would like to tell him a story of what happened in my constituency in 1982 when I was campaigning there. And the Hon. Leader of the Opposition will be interested in this story, because it exemplifies the NDP approach and treatment of the oil industry versus the Grant Devine approach.

And in '82, when things were as good as this hon. member told us earlier, about how the oil industry was so heated up under an NDP administration, here is what I got in Weyburn, Saskatchewan, in my constituency which you referred to earlier on. Here is what I

got. I got at a door in Griffin, Saskatchewan, 18 miles east of Weyburn, knocking in the election campaign; met at the door by a husband and a wife, a babe in arms, and another little child at foot; and the wife is almost in tears as she tells me that because the NDP and the Trudeau-Blakeney coalition has shut down the oil patch, he, who had a job for 11 years in that oil industry, is now out of a job. And she is nearly in tears with those two young children.

And I'll tell you what, Mr. Chairman. We can sit here and haggle about what is the right number and what's been subtracted in and what's been subtracted out, but I'll tell you, in the final analysis what this policy is all about is providing jobs and livelihoods for the families of this province. And to this day I, personally, will never forget the look of fear and despair and frustration in the eyes of that young family.

So as much as you might want to be preoccupied with the debate on this, what we view too as a cash cow, the time has passed where you can simply view the oil patch as a cash cow. We're going to get every penny we can for these taxpayers in this province from that cash cow, but the larger dimension today is the human dimension — the jobs and the families out there.

The third dimension, over and above revenue and jobs, is the economic spin-off in the communities of rural Saskatchewan. You can have all the commissions that you like, and all the studies that you like, but I'll tell you what: you go across rural Saskatchewan and you look at places like Griffin and Halbrite and all of those centres around your area in Shaunavon, the cafes that have sprouted up that the farmers and their friends enjoy for morning coffee, and the service industries that have sprouted up in these small towns.

I drove down and I spoke to the oilfield technical society in Estevan here just two or three weeks ago. I drove down Highway 39 from Weyburn to Estevan — driving, not flying, I would point out, to Estevan for this meeting. And I'll tell you I, myself, was amazed — and I've driven that area; I know it like the back of my hand from my practice days — I, myself, was amazed at how many businesses had grown up because of that oil patch industry.

Those three dimensions, Mr. Chairman, are what make this industry important to us, and quite frankly I am sick and tired of them being abused and kicked around.

Hon. Mr. Blakeney: — Mr. Minister, I'm going to ask a question or two arising from the annual report of your department for the year 1984-1985. And the first question I ask is: during the period covered by this report, do you agree that the effective royalty on oil and gas was reduced — that the effective rate of royalty on oil and gas produced during the period covered by this report was lowered?

Hon. Mr. Hepworth: — Mr. Chairman, hon. member, I'm having a little trouble understanding exactly the thrust of your question. The rates haven't changed, given the '84-85 annual report I think you were talking about. I

mean, they changed here; we adjusted them three or four weeks ago. But up until this point in time they hadn't changed.

Now the effective rate relative to the mix of what was on the market that year versus three years ago, for example — that's changed. We've got a greater proportion of new oil, EOR, heavy — that kind of thing. And that affects your . . . If you just take a straight percentage of the whole mix, that can change. But the rate themselves up until three or four weeks ago had not changed.

Hon. Mr. Blakeney: — Mr. Chairman, Mr. Minister, I'm not talking about the nominal rate. I'm talking about the effective rate. And a royalty is essentially a share of the value of production. And what I'm asking you, Mr. Minister, is: during the period covered by this report, as opposed to the year before, do you not agree that the share or the value of production received by the Crown has decreased? — whether because of mix or because of the application of the royalty holidays. For whatever reason, the people of Saskatchewan are getting a smaller share of the production dollar in the year '84-85 than they did in the year '83-84. Do you agree on that?

Hon. Mr. Hepworth: — Mr. Chairman, hon. member, as I'm advised, yes, and that probably would be true for any two years you might compare.

Hon. Mr. Blakeney: — Mr. Chairman, that's interesting. I will not pursue that because the rebuttal is so obvious.

If in fact each year the effective rate of royalty goes down, then it's pretty hard to accuse — and any year, as you say — it's pretty hard to accuse the New Democratic Party or anyone else of constantly raising royalties. I mean, we obviously cannot have constantly rising royalties on a constantly decreasing share of the gross production. And in fact I want to point out a few facts covered by your report.

Your report on page 8 says that the revenue from oil and gas going into the Heritage fund is going to increase by 8.8 per cent. And I invite you to look at page 8, and you will see. Then I invite you to look at page 24, and you will see that oil production — and I admit that the periods covered may not be exactly the same, so that an exact comparison may not be possible, but they are all substantially accurate — oil production went up 13.2 per cent. So one would think that the oil revenue ought to go up 13.2 per cent — rudely, one would think that. If production goes up 13.2 per cent, then revenue ought to go up 13.2 per cent, and royalties ought to go up 13.2 per cent if nothing else is changed.

But something else did change, and that was prices, and average prices went up a significant amount, about 8 per cent. And if we have production going up by 13 per cent, and average prices going up 8 per cent, then the return has gone up about 23 per cent. That follows; that's just a mathematical calculation. If you produce 13 per cent more and you get 8 per cent more for all your production, you're getting about 23 per cent more than you got the year before. And we got in revenue an extra 8 per cent. Now that, Mr. Minister, represents a fairly significant drop in the effective return that we are getting — we, as the

people of Saskatchewan, are getting — for the oil which is produced.

One can quarrel around the edges by saying one covers a calendar year and one covers a fiscal year, but that will not affect the general direction of what I'm saying. If production has gone up 13 per cent, which it assuredly has, and if prices have gone up 8 per cent, and I look at your graph on page 25 or your numbers on page 25, then pretty clearly we should be getting around 20 per cent . . . the companies are getting 20 per cent more in gross revenue, and we ought to get about perhaps 20 or 25 per cent more in our revenue. And in fact we're getting about 8 per cent more.

And I suggest to you, Mr. Minister, that represents the situation which flows from your royalty mix and your tax-holiday mix. And together they have produced a significant drop in the effective rate of return in the share which Saskatchewan people get of every dollar of crude oil or natural gas produced.

Incidentally, some of the figures mix natural gas, but certainly our share of natural gas has not gone down. So the more so, therefore, that oil has gone down. And in any case, the oil figures are overwhelmingly larger than the natural gas ones — overwhelmingly larger.

(1615)

The argument, I think, can't be gainsaid, Mr. Minister, that we are getting fewer cents per dollar of the value of oil produced in 1984-85 than we did in 1983-84. And it was, Mr. Minister, a period of rising prices. And generally speaking, the companies can afford to pay a little more money when prices are rising than when prices are falling, because some of their cost are fixed and will not go up with increased oil prices. Some of their costs are not and will go up. We acknowledge that.

Do you not agree, Mr. Minister, that we are getting, during the period covered by this report, a smaller share, fewer cents per dollar of the gross value of oil production than we did in the period covered by your previous report of '83-84?

Hon. Mr. Hepworth: — Yes.

Hon. Mr. Blakeney: — Thank you, Mr. Minister. And since we got a smaller percentage in '83-84 than we did in 1982-83 — and I could illustrate that by a reference to virtually the same pages in your annual report — what we are certainly, I think, establishing — and you say we got compensating benefits for it otherwise, and in economic activity and jobs and spin-off — we simply want to establish the fact that there has been a substantial decrease in the numbers of cents per dollar which Saskatchewan people get from the oil produced in Saskatchewan, from the value of oil produced in Saskatchewan. And I'm happy to have the minister acknowledge that in '84-85 we got a smaller percentage than '83-84.

I ask a couple of other questions now, Mr. Minister. I want to ask a question with respect to the Co-op upgrader.

Could you, Mr. Minister, give us a progress report, not on the operation of what's happening — I can ask that again — but on where we stand with respect to the legal deal between the federal government, the provincial government, and the Co-op?

It was reported in March, Mr. Minister, that the federal government wants to see more private money backing the Co-op upgrader in Regina and, as a result, Co-op officials are spending time looking for financial institutions to put up some of the 450 or \$500 million that is involved in the construction of the Co-op.

I want to ask a couple of specific questions, Mr. Minister. It is my understanding, and you'll correct me if I'm wrong, that a memorandum of understanding was signed between the three parties last August or September — and you can give me the month if you would. Have any documents been signed since that time which elaborate on the responsibilities of the three parties, particularly with respect to financing?

Hon. Mr. Hepworth: — Mr. Chairman, hon. member, before I get into response on the NewGrade question, I must pick up. I gave you a simple answer to a simple question, your question before. then you went on to editorialize somewhat after I answered the question. And hence I must make a few additional remarks.

Your simple question was more versus less. And I gave a simple answer. But once again, that's the classic NDP approach: reduce it to a simple duality — black, white; them, us; yes, no; north, south; oil industry against agriculture; oil worker against those who work in other industries. And that's not fair, nor is it right.

Yes, you were right with your numbers, and I don't quibble with them because they're out of our annual report. Yes, you were right. and even the year doesn't exactly balance, but that doesn't matter because I don't quibble with that either. But the point is, you went on to give the why there's a difference, and you didn't ask me if I agreed with the reasons you gave. And I do not — I do not. You failed to acknowledge some facts that happen to exist for those who work and understand the oil patch.

The fact is, out in the oil patch, you know, wells tend to have their production decline as they become older wells — fact, fact. Secondly, as our conventional oil pools in this province tend to be drawn down, and as the oil that's pumped out this year, over last year, over three years ago, is of quite a different type . . . For example, a 40 per cent royalty rate on old oil, non-heavy, would hardly bring in as much revenue . . . would bring in much more revenue for the province than 5 per cent on enhanced oil recovery.

So you have to look at all the reason that go into why there is a difference. And to suggest that if there was an NDP government in there the mix coming out of the ground would be different, would be quite in error. The good Lord himself put those pockets in there — not you or I. So your observations were right; your conclusions were wrong.

And Mr. Chairman, even if he was right — which he is not

— even if he was right, it once again demonstrates the only mentality that they have, and the Hon. Leader of the Opposition has, towards the oil companies, is that they're big, they're bad, and they should be viewed simply as a cash cow. That's the classic mentality, Mr. Speaker.

Well I'll tell you what, even if you were right and we were wrong, it's a small price to pay for jobs in the communities of this province. It's a small price to pay, Mr. Chairman, even if you were right, and you were not.

The question that the people of Saskatchewan want answered by that hon. member is: where do you stand on oil royalty holidays? Where do you stand? Are you in favour of them or are you against them? Stand up and tell the people of Saskatchewan where you really stand on this issue. Because the story, Mr. Chairman, the story is different in Nipawin than it is in Estevan; it's different in Saskatoon than it is Weyburn, let me tell you.

I say to the hon. member: where do you stand on oil royalty holidays? Where do you stand on economic development in the communities of this province? Where do you stand on providing jobs and employment for the people in this province, Mr. Chairman? Mr. Chairman, we know where they stand. There's two stories in this province when it comes from that party.

Mr. Chairman, relative to NewGrade, the MOU (Memorandum of Understanding) was signed in September and there has been no further document signed since then.

Hon. Mr. Blakeney: — Mr. Chairman, and Mr. Minister, I don't know what I did to precipitate that outburst from the minister. I hoped I was asking questions in a clear and rational way and did nothing to upset him and to somehow irritate his spleen. But something I have done has produced that ... (inaudible interjection) ... Mr. Chairman, I wonder if you would say a word to restrain the member for Moosomin.

Mr. Chairman: — Order, order. Order, please. I said: order, please.

Hon. Mr. Blakeney: — Thank you. Because I think we have some important work to do here, and I want to ask some questions about the upgrader in Regina. I don't want to suggest to members opposite that they're not interested in the upgrader. I don't want to precipitate any interruptions from them.

An Hon. Member: Doublespeak. I think ... (inaudible) ...

Hon. Mr. Blakeney: — That comes the problem, Mr. Chairman. I am trying my very best to ask what I think are clear and rational questions. The minister has asked for a statement on where we stand on royalty tax holidays, royalty holidays for oil wells. I've given it many times. I'll give it as very quickly as I can.

We obviously have no quarrel with those incentives for exploration wells, for exploratory wells. The incentives could take the form of royalty tax holidays. They did under our administration at times. We have no opposition

in principle to a royalty tax holiday, that form of incentive for exploration wells. What form of incentives you use will depend upon the circumstances at the time and what one is trying to ... what type of development one is trying to engender.

With respect to royalty tax holidays for infill wells, we have believed that these were far too costly a way to encourage the development of infill wells. And we have expressed our opposition to that type of incentive for infill wells, and I state it again. And I say this in Estevan and I say it in Weyburn and I say in Nipawin.

Now I want, Mr. Minister, to ask you about what the financial arrangements are between the federal government and yourself, your department in your government, with respect to the upgrader at Regina. I ask again: have any documents been signed among the parties since the Memorandum of Understanding last summer or fall?

Hon. Mr. Hepworth: — Mr. Chairman, I'll repeat the answer. I gave it at the end of my last remarks, and I think you were preoccupied and missed the answer. The MOU — I think you originally asked the question of when it was signed. It was September. There has been numerous meetings since then but no further documentation signed.

And just to pick up on some of your remarks once again, about your policy and about how it's been simply and clearly stated many times. What you are saying then — if I'm to take for what you say today as the policy — is that, other than for infill wells, your policy would be the same as ours, and hence your revenues and land sales, everything else, would be the same as what is under our administration, if that is what you're saying. Because the only thing you would subtract is infill wells, which is something less than one in 10. And what I am saying to you is the people simply don't believe you.

Hon. Mr. Blakeney: — Mr. Chairman, and Mr. Minister, I don't want to get into a long wrangle with the minister. What he had asked me was a policy with respect to royalty tax holidays. That I gave him. I didn't deal with land sales and the rest because he didn't ask for it, and I don't propose so to do.

I want to ask you, Mr. Minister, what the financial arrangement is for the upgrader. I understand it to be the Consumers' Co-op Refinery, CCR, is putting up 5 per cent of the equity, or 5 per cent of the total cost as equity; Saskatchewan is putting up 15 per cent of the total cost, and the Government of Saskatchewan, as equity — and I'll come back to this 5 per cent again, where the Co-op is getting it — and that Saskatchewan and Canada are jointly guaranteeing 80 per cent of the total cost of the project in debt refinancing. I ask you, Mr. Minister: of that 80 per cent, is the Government of Canada guaranteeing 40 per cent or 35 per cent?

Hon. Mr. Hepworth: — The total project: 35 per cent Canadian; 45 per cent Saskatchewan.

(1630)

Hon. Mr. Blakeney: — Mr. Minister, is it accurate that the

5 per cent of the share of the equity . . . and now I'm talking about cash that is being put up by the Consumer's co-operative Refinery. and I now wish to acknowledge that they are also playing a major role in this project because of the existence of their refinery and the fact that if the refinery wasn't there, the upgrader would not be economically feasible, at least with respect to those numbers. And I want to acknowledge that so that no one misunderstands that.

With respect to the 5 per cent of the cash which the Co-op Refinery is putting up, is it accurate that they have an arrangement whereby they borrow that from the Government of Saskatchewan on terms whereby it is repaid out of the earnings of the project?

Hon. Mr. Hepworth: — Mr. Chairman, hon. member, that's correct.

Hon. Mr. Blakeney: — Therefore is it accurate, Mr. Minister, to say that all expenditures now that are going ahead with respect to the project are at the expense of the Saskatchewan taxpayer? Aside from perhaps incidental expenditures over at the refinery, all of the expenditures on the upgrader that are going ahead now are at the expense of the Saskatchewan taxpayer?

The Government of Canada has guaranteed nothing. The Government of Saskatchewan has, in fact, guaranteed nothing by way of debt for the project. All of the money which is now being used is equity money which is being advanced by the Government of Saskatchewan either as its 15 per cent share or its 5 per cent loan to the Co-op Refinery. Is that accurate?

Hon. Mr. Hepworth: — Mr. Chairman, the hon. member, I apologize for the delay, but I am relying heavily on officials for this. I'm not making any apology for relying on them because they're very good officials, but the CMB (Crown Management Board) has been manning this, and hence I'm not as familiar with it as maybe I should be, but obviously it impacts on our department, and the staff certainly are the ones that are the resource people all along.

In answer to your question, the formula relative to who's paying what, the same formula as was established for the planning phase, or phase one, is the one that we're still operating under. And that has 50 per cent Saskatchewan, 10 per cent co-operative, and 40 per cent Canada. So to answer your question — are we picking up the entire bill, I think was the essence of the question — the answer would be no. It's this breakdown.

Hon. Mr. Blakeney: — Thank you, Mr. Minister. With respect to the Canada contribution . . . I'll not now deal with the relative position of the co-op and Saskatchewan. With respect to the Canada contribution and with respect to any expenditures which are now going forward, did I understand you to say that 40 per cent of the expenditures are being borne by the Government of Canada? And if for any reason — and I'm not suggesting this — but if for any reason the refinery did not go ahead or was delayed for a substantial period of time. 40 per cent or thereabouts of the expenditure to date, including the expenditure which may be made last week or next week, would be at the

expense of the Government of Canada?

Hon. Mr. Hepworth: — Mr. Chairman, hon. member, that's correct.

Hon. Mr. Blakeney: — Mr. Chairman, and Mr. Minister, I ask these questions because in previous meetings of this committee, your predecessor, the member for Sutherland, has answered a number of these questions and has done so in a very forthright way, and I know that if you think they shouldn't be answered, you will tell me so.

This has to do with the economic basis for the upgrader. And in earlier committees — and I will summarize and don't want to try to misrepresent in any way — but it's been suggested that the spread between the feedstock and Alberta light sweet crude, that spread, as opposed to the spread between the feedstock and the syncrude that will come out of the upgrader. So I'm talking about the spread between whatever will go into that refinery, that mix of heavy and medium crude, and the Alberta light sweet, which was the bench-mark, needs to be about \$6. Now the \$6 figure has been frequently quoted. I can find a quote but . . .

Mr. Minister, it's always a little unclear, but this is something quoting Harold Empey — and I'm not sure it's an accurate quote so I'm not attributing it to him — saying:

For the co-op upgrader to break even, the difference between the heavy crude and the refined product has to be at least \$6 per barrel.

Now that's a different thing than what I've said. So perhaps I'd better ask a question or two.

On what basis is the refinery being planned? What does the spread have to be between the feedstock and, first, Alberta sweet; and second — Alberta sweet is now what's going into that refinery — what is the difference between the feedstock and the refined product, what I'll call the syncrude?

Hon. Mr. Hepworth: — Mr. Chairman, and hon. member, the spread between the Alberta light and feedstock, if it's \$6, we've got a real nice viable project. If it was to slip back into that \$4 range, the project still works but no expectation of return on investment — retire the debt, but don't look for any return on investment necessarily.

The syncrude, versus Alberta light, we would reckon a premium of \$1.50 to \$2, something in that range.

Hon. Mr. Blakeney: — Mr. Chairman, and Mr. Minister, I think on a project like this, the sensitivity analysis must show that it is quite sensitive to crude oil prices and very highly sensitive to the spread — and you've already indicated that.

About what is the spread between — I'm quoting from an old clipping here saying that the . . . and when this was in, the spread between the syncrude and the feedstock was about \$5.50. give me a spread, either one, because we can calculate it. What's the spread, for

example, between that feedstock — and I admit it's a mix — and Alberta sweet?

Hon. Mr. Hepworth: — Mr. Chairman, hon. member, roughly \$5.

Hon. Mr. Blakeney: — So Mr. Minister, you're saying that between the feedstock and Alberta sweet, the spread is now approximately \$5. So that the project then is still in a range where, with a little luck, it might fly, if I may put it that way.

What is the position of the department with respect to the comments by Mr. Wilson — reported comments of Mr. Wilson — saying that he was looking for some more private sector money, that he was looking for another investor that he, in effect I suppose, wasn't too happy with the current arrangement whereby 100 per cent of the risk was divided between the two governments?

Hon. Mr. Hepworth: — On the issue of getting some private risk capital into the project, it's alive and well is so far as the possibility. In fact this very day, I'm advised there's a meeting on between advisers and guarantors and the board relative to a proposal for private risk capital at start-up. I guess I can't say anything concrete at this point time, and I even wondered if I should go that far, but the possibility is alive and well to date.

Hon. Mr. Blakeney: — Mr. Chairman, and Mr. Minister, do you see any other major impediments to that project going ahead? Are there any other problems which are of a major nature which are unresolved? I know that there are always . . . I'm not suggesting the ordinary problems of getting it designed and that sort of thing, but are there any insuperable problems of an environmental nature or otherwise?

(1645)

Hon. Mr. Hepworth: — Mr. Chairman, hon. member, I'm advised there's no major problems in the finance area or elsewhere. In fact, the comment that my advisers gave me, which I think says it all, is everybody keeps continuing to throw their money in the pot, and I think things are going along reasonably well in fact.

Mr. Hopfner: — Thank you, Mr. Chairman. Mr. Chairman, Mr. Minister, before I bring my remarks I would just like to have a preamble, and I'd like to follow up on some of the political statements that have been made by the member from Shaunavon rousing your administration, the Devine administration.

As you well know, I come from a border constituency, the western border, which borders Alberta. I happened to pick up an article and it was written by a Don Braid, which is "a View from the West," and he's a journalist, a political journalist, for the Edmonton Journal. It goes to say here, Mr. Chairman, Mr. Minister that:

Saskatchewan's ruling Conservatives are causing headaches (and in brackets) actual gas pains for their cousins in Alberta. This is an ironic touch since the previous NDP government never showed much desire to challenge the economic

dominance of Tory Alberta.

It also went on to say:

But times have changed. Premier Grant Devine is determined to do for Saskatchewan what Peter Lougheed did for Alberta.

It went on to say, in my preamble, Mr. Chairman, and Mr. Minister — "Envy of others" is the title — and it went on to say:

But Saskatchewan's outlook is the envy of other provinces. The Tories tend to consider all this a holy reward for their election. As Premier Devine likes to tell crowds, we will not participate in this recession, we'll go out and do it. The Tories do deserve some earthly credit however, especially for bringing the province's oil patch out of its long lethargy. The policy is a sharp reversal of the NDP view that the oil should be left in the ground until prices rise. And the question is: at what price and how long?

There was also some statements made as to who is responsible, whether it be inside or outside influences, on the type of problems we have within the oil patch today.

Well, the people of Lloydminster appreciated the fact, Mr. Minister, that you, as well as the past Finance minister and the present Finance minister, have visited the city of Lloyd on a few different occasions to discuss with the oil industry the problems that we're now facing with a soft price in the oil patch.

The people also realize that the inside influence in the past were the NDP. It was like an impact of what we are now facing from the OPEC countries today; and that if there was ever a return of the NDP administration in this province, that would be almost like having a double whammy of what the NDP are actually doing now, or what the OPEC nations are doing now — which leads me into some of the questions that I would like to ask you, Mr. Minister.

Mr. Minister, as the price of oil remains soft and no one is sure which direction it will ultimately head, the problems the industry are encountering and may have to deal with are well documented. Every company in all sectors are engaging in a re-evaluation of its spending plans. These sector changes have resulted in the loss of jobs in the oilfield, and subsequently in the spin-offs, due to the instability of the world oil prices.

The question I have for you, Mr. Minister, is: what have you done — I realize, but for the record I would like you to answer it — what have you done? What was your policy, in the past few weeks, of your announcement? And to add to the question: does your department have any type of statistics into being able to tell me how many jobs you may figure have been maintained and/or in fact added to in the oilfield and the surrounding spin-off operations?

Hon. Mr. Hepworth: — Mr. Chairman, hon. member, I share with you my concern of what would happen if the

oil producers out there were faced with a double whammy of the depressed oil prices that they have today plus the prospect or even the suggestion, the hint of the possibility, of an NDP government here. It would be a disaster for the oil patch.

In terms of what have we done and what have been the results. To reiterate quickly, our program announcement of three or four weeks ago had one objective, and that was to maintain jobs, as you so rightly pointed out. And to that end, and because most of our jobs are in the service and supply sector, we have put in place a program wherein 40 per cent of the cost of work-overs is picked up through a royalty reduction.

Secondly, we selectively reduced royalties to maintain production. It was to nobody's advantage if wells were shut in. It wouldn't have mattered what the royalty rate was. If they're not pumping, everybody loses. And so we were hopeful that by reducing royalties somewhat, albeit that they're still the highest in North America, that we could keep those wells in production.

And the other initiative which I think has got some fair relevance in your constituency with the heavy oil production, some royalty changes on the EOR projects, which certainly are high-cost and often tend to be fragile at best.

What are the results of these initiatives? it's probably been even beyond our best expectations. We had set aside initially \$6 million for the work-over program. We've had applications for work far in excess of that, so it seems to me that that bodes well for all those people out there who have jobs in that service and supply sector. I think we're going to see, as the days pass, even more and more of that response evidenced in a very concrete sort of way with the trucks rolling around out there in the oil patch.

In terms of whether reducing our royalties maintained wells on production or brought on wells that were shut in, the answer there is a resounding yes. And fortunately in your area, in the heavy oil where we had — at least I personally — had some of the greatest fears because of the high costs associated with getting it out of the ground . . . And certainly a week or two ago we heard the announcement from Art Price at Husky where they were going to bring in 350 wells back into production in your area as a result of our program. That's the kind of results we wanted to see, because if the well is pumping, it has to have, as you know, an operator out there on a daily basis. So that maintains the jobs, which was our goal originally. In fact, there have been more wells than just that brought back on production since we made those changes. And I'm advised that we now have something in the order of 500 wells that have been brought back on because of those changes.

So at this point in time the program meets our expectations. At the same time it's been a very responsible approach. We don't have, so we couldn't do it . . . we don't have megabucks so we couldn't throw megabucks out there in an incentive program. I like to think that we've used our money in a smart way to create and maintain jobs out there. And certainly the results, in an area that was as hard hit and an area that was in

jeopardy as much as any in that heavy oil area, the results have been even more encouraging than I might have expected originally.

Mr. Hopfner: — Mr. Chairman, Mr. Minister, in light of the program that you had announced a few weeks ago, and in light of the things that are happening now and wells are being brought back into production, Mr. Minister, the program that you had announced, it was only a program for about a period of about three months. Have you any plans, has your department any plans to consider extending — or do you have any plans or new programs coming into effect if the price of oil remains soft?

Hon. Mr. Hepworth: — The hon. member is quite correct. The program we did announce is a three-month program; it is a temporary program. At that point in time, what more will be done will depend on, in fact, where the world oil price is.

At the same time, we're not about to sit on our hands. And in the event that three months down the road we have as big a problem with the world oil prices as we do now, in anticipation that it may not go away, we have a working group of ourselves, B.C., Alberta, the federal government, looking at what longer-term response we may have to make to maintain the jobs out there, in the event that three months down the road we're still dealing with a very, one, turbulent market, and, two, new lower world oil price that in fact is a new baseline.

I can't tell you this very day what that longer-term response may be. I think it's safe to say that all options are open. We've given the mandate to the committee to be as creative as they so desire in terms of looking at possibilities there. But I can tell you it's under serious consideration, and in the event that we have to respond, we'll be well prepared in terms of having worked up the options.

Mr. Hopfner: — Mr. Chairman, and Mr. Minister, I would like to go into another subject, and it's important to myself and my constituents, and indeed the province and Canada, and it's the project, the Husky Oil upgrader.

I would like to know, Mr. Minister, if there has been any further negotiations, or if you can enlighten me on anything in regards to further negotiations on the Husky Oil upgrader; and also if you can indicate to me whether the engineering studies that have been previously announced are on schedule, and at what particular time you feel that we can hear some announcements on these engineering studies.

Hon. Mr. Hepworth: — Mr. Chairman, hon. member, if you'll recall, in the history of this project and with the election of the Brian Mulroney government — and rightfully so, and I can't criticize the federal government; they wanted to review the project that had been signed by a previous Liberal administration — there was some view that that review might take the form of unnecessary foot-dragging, and hence there was a period of anxiety and insecurity, not only for the provinces but certainly for the people of Lloydminster area.

Fortunately, as a result of a meeting with Premier Devine and myself and other ministers, including federal ministers, an agreement was struck, even in these turbulent times, to proceed with the pre-construction engineering. And I cannot this very day give you the latest progress report because the very first progress report meeting, if you like, is being held this Friday in Calgary.

One thing I do want to say, though, and clarify, because in response to a member's question in this House previously, I indicated that Saskatchewan's contribution of \$13.5 million would be a pro rata share of the actual engineering cost, and therefore it would be reduced if the actual costs were less than \$90 million. I'd like to clarify that, because that is something less than absolute in its correctness. I'd like to clarify that. The government contributions are lump sum, not pro rata; and the lump sum method is incorporated into the final agreement because the governments are confident that the \$90 million estimate is accurate, perhaps even too low.

And we rejected the pro rata percentage sharing to assure that Husky would be solely responsible for any costs in excess of the estimate. So that in fact it goes over that, we're locked in, period, at 13.5 million. And if it's 100 or 110, we don't have to ante up extra dollars. And that was the reason we had ours set at 13.5 million. Period.

So I wanted to clarify that because, in response to a previous member's question some time ago in this House, I hadn't made that clear.

The committee reported progress.

The Assembly adjourned at 5:03 p.m.