

The Assembly met at 2 p.m.

Prayers

INTRODUCTION OF GUESTS

Mrs. Caswell: Thank you, Mr. Speaker. On the west gallery, virtually taking up the entire gallery, is 81 students, grades 7 and 8, from Caswell School. When my colleagues hear that there were 81 visitors from Caswell, they were wondering what is she stacking the gallery over now, but you'll be pleased to know Caswell is a school, and they're here like all schools are to learn about our democratic process. The last time I was at Caswell School, they had a very successful citizenship court in which the entire school welcomed 40 students. Now they are learning about the democratic traditions that those 40 students and themselves have inherited in this fine country.

I will be meeting with them at 3 o'clock for pictures, and we'll be having a little discussion in room 218. So would you please welcome my friends and neighbours from Caswell School. This school is used to fine standards, so I expect excellent behaviour from my colleagues.

Hon. Members: Hear, hear!

Mr. Sandberg: Thank you, Mr. Speaker. It's a pleasure for me today to introduce to you, and to all members of the Assembly 20 visiting students from the Saskatoon Region Community College. Mr. Speaker, these students have worked very, very hard this year to upgrade their education, and coming here to the legislature and to Regina is part of that upgrading process. I hope you've enjoyed your visit to Regina today. I know you'll enjoy the proceedings in the legislature.

These students are accompanied by their teachers, Gladys Brown and Roy Bourke. I'll be meeting with you at 2:30 for coffee after question period in the members' dining lounge. So I ask all members to give them a warm welcome to the legislature today.

Hon. Members: Hear, hear!

Mr. Tchorzewski: Mr. Speaker, I would like through you to introduce to the Assembly, 23 grade 5 students from Stewart Russell School in Regina. They are here visiting the legislature and will be returning back to the school, I understand, right after question period. We hope that they have an interesting and an educational visit here, and that they go away having learned something more about our system of government, and that they enjoy the stay that they have here.

They're accompanied by their teacher, Dorothy Trevina, who has been good enough to arrange this tour for this group of students. I understand tomorrow there's another group coming from Stewart Russell, so this school is certainly very active in its visiting of the legislature.

I would ask the members to join me in extending a warm welcome to the students from Stewart Russell.

Hon. Members: Hear, hear!

Mr. Klein: Thank you, Mr. Speaker. It's a pleasure for me to introduce to you, and through you to the Assembly this afternoon, approximately 50 grade 6 students from M. J. Coldwell Elementary School in the north end of our city. They are accompanied by their teachers, Mr. Nelson, and Mrs. Campbell, along with a chaperon, Mrs. Clark.

I was indeed looking forward to visiting with them following question period and taking pictures and drinks, but I understand — I had a note handed to me that indicates you have to leave right after question period. So I sincerely hope that they enjoyed their tour and their visit, and I ask all members to welcome them to our Assembly.

Hon. Members: Hear, hear!

Mr. Currie: Thank you, Mr. Speaker. It's my pleasure at this time to introduce to you, and to the members of the Assembly, a group of young people who are seated in the Speaker's gallery. They are a group of 25 grade 5 students from Massey Elementary School in Regina. They are accompanied by their teacher, Mrs. Kleemolla; and the chaperons, Mrs. Lang, and Mrs. Douglas. I'm sure that you will find you visit to the Legislative Building and to question period very interesting. I'll be meeting with you for pictures and drinks immediately after question period, and I would ask the members of the Assembly to join with me in extending a cordial welcome to these young people.

Hon. Members: Hear, hear!

Hon. Mr. Berntson: Mr. Speaker, at the end of my remarks I want to introduce the commissioner of Sask Expo.

All members, Mr. Speaker, will have a kit on their desk that, among other things, includes articles and letters about what other people are saying about Sask Expo in Vancouver. Included in that kit is an on-site '86 publication, Expo Reviewed: The Best of Expo, Mr. Speaker. In this publication the Saskatchewan Expo rates in the top 10 overall, and I think the restaurant is rated as a "must see" or a "must visit." And I might also point out, Mr. Speaker, that this publication was published by people completely unrelated to Expo in any way, shape or form.

In addition to that, Mr. Speaker, there's a Maclean's article that rates Saskatchewan nine out of a 10. There was only one 10 on the site, Mr. Speaker, so Saskatchewan, as you can see, rates right in there with the best of them . . . (inaudible interjection) . . . And I'm sorry that members opposite are grumbling about their super-fine presence in Vancouver, Mr. Speaker. But in addition, we have included in this package for all members some souvenirs from Sask Expo.

I would invite all members, Mr. Speaker, to join with me first in welcoming Mr. Gordon Staseson, president and commissioner of Sask Expo. And I'll invite Gordon to

stand up and be recognized; first to welcome him here to the legislature, and secondly to congratulate him and his team for putting together a first-class act for Saskatchewan in Vancouver — truly, Mr. Speaker, a presence to be proud of.

Hon. Members: Hear, hear!

ORAL QUESTIONS

Early Retirement of SaskTel Employees

Mr. Lusney: Thank you, Mr. Speaker. My question is to the minister responsible for SaskTel. Mr. Minister, in 1983 many SaskTel employees took advantage of an early retirement program that the corporation offered. SaskTel management stated at that time that this package was a one-shot deal and would never be repeated.

Mr. Minister, during '84 and '85 about 20 long-time SaskTel employees took the opportunity to take early retirement. They didn't qualify for your '83 program, but in '84 and '85 they decided to retire. As late as December 27, 1985, some of these employees were assured by SaskTel that they had no plans at that time to introduce another early retirement package.

In April of this year, Mr. Minister, SaskTel announced a new retirement package, retroactive to January 1st of '86. Mr. Minister, this leave some 21 employees who took their early retirement during '84 and '85 — just left them right out in the cold, without any package at all.

Since some of the former employees have had about 35 years' service with SaskTel, Mr. Minister, do you not agree that this is not the fair thing to do, and what you should do is provide the 21 people involved with the same benefits package as you provided for those that you made retroactive to January 1?

Hon. Mr. Lane: Well, yes, Mr. Speaker, there was an early retirement program in SaskTel in 1983. The board had decided that their . . . that would be it. On reconsideration of the matter in April, the board felt that there was another opportunity to continue some downsizing with a minimum of disruption in SaskTel.

Having said that, in the interim there were some 21 people that retired between the two programs. Not all of those, to correct the hon. member, did not qualify in 1983. Some of those in fact were eligible in 1983 and elected not to take the early retirement in 1983.

Secondly, the matter . . . your allegation that they are out in the cold in not accurate because the pensions, quite frankly, at SaskTel I think are more than fair, and those that retired in the interim are retiring at their eligible pension level. So it's not that they took any reduction as a result of taking their normal retirement.

Thirdly, the cost of going back to the 21 and looking at them and giving them the same early retirement benefits is roughly \$75,000 per employee. Having said that, we are reviewing the situation to ensure fairness, but the facts, as you gave, are not quite accurate.

Mr. Lusney: Well, Mr. Minister, some of these employees took early retirements, so they would be losing benefits compared to those that you put the program in for this year.

Now, Mr. Minister, is it not true that the former president of SaskTel and at least one other former senior executive were allowed to change their retirement dates in order to qualify for your 1986 program?

Now, Mr. Minister, if you made special arrangements for a few people, why not make the arrangements for some of the other 21 people, or all of those 21 people that were left out of that program and provide them with the same opportunity for early retirement?

Hon. Mr. Lane: Well, with regard to the former president, he made no special arrangements as a result of the early retirement program. In fact it was at our request, the board's request, that he stay until January because we were searching for a new president. I'm not aware — although I've now seen the allegation from those retirees that there was another senior executive — I'm frankly not aware of that, and I am pursuing that suggestion. But to attribute to the former president, that was at the board's request while the executive search went on.

Hon. Mr. Blakeney: A supplementary, Mr. Minister. Mr. Speaker, and Mr. Minister, is it not curious, as you say, that the board requested that the president, the former president, stay on until January 3rd, whereas if he had retired on December 31st, he would not have qualified. But the board apparently suggested they stay on the extra two or three days, and this fortuitously qualified him for a considerably higher pension; is that not true?

Hon. Mr. Lane: No, it had nothing to do with this early retirement program; it was based on the previous early retirement program.

Hon. Mr. Blakeney: Mr. Minister, these employees, these 21 are only asking for the same treatment that you gave employees in 1983 and again in 1986. What is so difficult to arrange that these employees would be treated on the same basis as the ones in 1983 and again in 1986?

Hon. Mr. Lane: Again, the question of cost is one factor; and secondly, whenever you have an early retirement program there are going to be some cut-offs, unfortunately. There were people effected in 1983 who were obviously dissatisfied because they had retired before the corporation made the decision. Having said that, I have indicated to the former employees, the retirees, that we are reviewing the situation to ensure fairness.

Hon. Mr. Blakeney: Mr. Speaker, new question, and I direct it to the minister in charge of SaskTel, and it deals with the same issue. Now, Mr. Minister, you advised us in the Crown Corporations Committee that an executive committee of the board were reviewing this, and you told us that on June 3rd, and on June 5th, one David Birnie, the manager of personnel services for the corporation, has written to one of these employees saying, in effect, the contrary. He says:

The Board's decision (is) to limit the program to the calendar year 1986 (and this) is consistent with the programs that other Crown corporations . . .

He goes on to say:

In any program of this kind, no matter what parameters are chosen, there will always be people who are not included by reason of circumstance. The policy does not provide for an inclusion of those who retired between the two earlier retirement programs . . . Now that's the policy of the corporation. On the 3rd you told me you were reviewing it. Have you decided to review this and be fair with these employees who are caught between these two programs and treat them the same way that they would have been treated had they been under the 1983 program or the 1986 program?

Hon. Mr. Lane: Well I realize the responsibility is mine, but that letter went out without any knowledge of myself or my office. And as I say, the responsibility is mine, but we had not completed the review, and I had not received, nor have I received, a report in detail looking at each of the circumstances which I'd requested from the officials. So I freely apologize to the retirees for that letter. As I say, it went out without the knowledge of either myself or my staff, and the review is still going on.

Uranium City Air Terminal Building Inaccessible to Public

Mr. Thompson: Thank you, Mr. Speaker. I direct my question to the Minister of Highways and Transportation. It deals with a mix-up between his department and the federal Ministry of Transport. This mix-up has resulted in patients who have been flown into Uranium City for medical treatment being forced to wait for taxis outside the airport terminal for up to two hours. Because the terminal is now closed to the public except for Norcanair's scheduled flights, Mr. Minister — and as you're aware that airport serves the only hospital in that northern region for all the communities in that area — can the minister explain how this mix-up came about; and can he give the people of the North his assurance that the matter will be cleared up immediately and that the airport terminal building will be always opened to those needs as long as the hospital and the town remain active?

Hon. Mr. Hodgins: Thank you, Mr. Speaker. I must apologize. I'm not familiar with the subject which you are bringing forward to the legislature today, but I will give the hon. member my assurance that I will take notice of his question, and I will give it my personal thoughts, attention in the very, very next few hours this afternoon. I will become fully briefed on the matter, and I can give you my utmost assurance that the people in the North will receive whatever help that our province can give them.

Mr. Thompson: Supplementary, Mr. Speaker. Mr. Minister, you take notice of that question and I wonder, at the same time, if you would check out whether the radio signals are being operated on that airport. As you realize, it's the only airport that serves that hospital in that area. There is radio equipment there and beacons that aircraft

use at night and in bad weather. I wonder, Mr. Minister if you could check on that and report back whether the radios are in operation, so that aircraft can use the beacons.

Hon. Mr. Hodgins: Yes, I would be pleased to do that at my earliest convenience.

Use of Executive Aircraft

Mr. Lingenfelter: Mr. Speaker, I have a question to the Minister of Supply and Services, and it has to do with a report he tabled in the legislature yesterday dealing with the executive aircraft for the year 1985-86 fiscal year.

Yesterday you reported that that aircraft was used by the Executive Council 980 times for flights within the province of Saskatchewan. Now, Mr. Speaker, of course the executive aircraft is for use by cabinet ministers. But in checking it over, the report last evening, we found a number of very careless uses of the aircraft. And I want to report to you and to the Assembly, Mr. Speaker, that, for example, on June 27th of last year the executive aircraft made four round trips to Saskatoon with four different cabinet ministers on board.

Now I wonder, Mr. Minister, who is responsible for scheduling the executive aircraft and how would it happen that aircraft that are the size capable of flying all the four ministers to Saskatoon and back would make four flights, rather than using one flight to fly the ministers there and back. How does it happen that we have airplanes coming and going to the same city, like a shuttle bus, at great expense to the taxpayers; and are you the person responsible for co-ordinating such a mess?

Hon. Mr. Schoenhals: Mr. Speaker, yes it rests with the responsibility of our department. I would have to check on the particular day to check the circumstances, but it's very conceivable that there were very reasonable reasons why that was necessary. If someone . . . For instance, I can remember days when we had special events in Regina and Saskatoon that were run in order to have the same information in the same place, and it might have been impossible for the four ministers. If he wishes, I can acquire details of that particular day and determine the reason for it, but I'm sure that the reason is quite logical, and we can provide that.

Mr. Lingenfelter: Mr. Speaker, on another date, October 29th, the taxpayers shelled out thousands of dollars for three different cabinet ministers that day to fly from Regina to Saskatoon and back. And my question originally was to you — who co-ordinates the use of this executive aircraft? — to see whether or not better use can be made of the executive aircraft in terms of getting maybe two or maybe three cabinet ministers on the same flight. Because it seems to me and to the public that 980 flights in one year, cabinet ministers coming and going, and the suspicion, a lot of it for political purposes . . . Can you tell me who co-ordinates these flights, at any rate?

Hon. Mr. Schoenhals: Well, Mr. Chairman, first of all in reference to the question, we have found on this side of the House that it's not always a good idea to take the information provided at face value, but I've indicated I

will check into that particular day. The written information may be right, sir, but your interpretation often leaves a lot to be desired.

Secondly, we are attempting and will continue to stay in touch with Saskatoon, the largest city in this province. We have many times there's business to be carried out. I don't think it's reasonable to expect somebody with an 8 o'clock meeting and somebody with a speech in the evening to necessarily go to Saskatoon and spend the day there.

Many times flights are co-ordinated, and there are often as many as four ministers on one flight going somewhere. That's not unusual at all, and the staff deal with that and they do their best to make it work. We try to co-ordinate those and make it as reasonable and as efficient as possible. And if that particular day poses problems, as I indicated, we'll determine what the circumstances were.

Mr. Lingenfelter: Well, Mr. Speaker, a new question to the minister. He questions the credibility of the information we're using here. And maybe, for his benefit, we should be tabling this back to him so he can read the covering page on the document which indicates clearly the number of flights taken by each minister; for example, the hon. member from Souris—Cannington, 51 flights; the Premier, 66; and so on down the list . . . the hon. member from Wilkie, 52 trips, and so on. These are the flights that are indicated by the minister.

But my question to you is: who co-ordinates the flights? What is the process? Are you responsible for that plan flying to Saskatoon and back four times in the same day and within a matter of hours?

Hon. Mr. Schoenhals: Mr. Chairman, as I indicated in both the previous answers, the staff of the department of exec air co-ordinates the flights. Obviously, as the minister, it's my responsibility that that is correct. And once again, I'm not questioning the numbers; I'm questioning the interpretation.

Mr. Lingenfelter: Supplement to the minister. I wonder, Mr. Minister: can you indicate the position of the government in terms of the use of the executive aircraft which, of course, is paid for by the taxpayers? Are these aircraft for the use of cabinet ministers only on business, or are they used for personal reasons at any time? What is the policy of the government?

Hon. Mr. Schoenhals: Mr. Chairman, the policy has not been changed since the party opposite were in fact in government. The policy has not changed; it's exactly as it has always been.

Mr. Koskie: I also direct a question to the Minister of Supply and Services. I'd like the minister to advise us whether or not the former minister of Highways, the member for Wilkie, who hasn't been in the House during this session, did he ever pay back to the Saskatchewan taxpayers for his improper use of the government aircraft last November? Has he reimbursed the taxpayers for the full cost of the round trip between Regina and his home near Unity, since that trip was clearly improper and resulted in the member's resignation? Could you advise

us?

Hon. Mr. Schoenhals: Mr. Chairman, I'll take notice and report back on that.

Mr. Koskie: Mr. Minister, are you aware that this was not the only time that the former minister abused his privilege in respect to the use of the government plane — not only in November but a subsequent time? The documents which you tabled yesterday show that the government aircraft was sent from Regina to Unity on July 16, 1985, to pick up only one passenger, the wife of the former minister, and fly her back to Regina. This is a second offence — second time.

I ask you: can the minister explain how such a clear abuse of the government aircraft got by his officials at a time, and whether or not the member again has reimbursed the taxpayers for their improper use of the aircraft.

Hon. Mr. Schoenhals: Mr. Chairman, I would suggest to the member that his use of the term "improper use" is ill-advised. We certainly do not have any problems when a minister is attending a function to which his wife in particular, possibly his family, have been invited, that they travel by the same means of transportation.

I think that, as members of this government, we spend a great deal of time away from home. We certainly don't apologize for taking our spouses along to various functions, and I don't think that that is something that the taxpayers of the province expect us to apologize for.

Mr. Koskie: The document that you tabled, Mr. Minister, clearly indicated that there was one passenger on the aircraft flying from Regina to Unity, Wilkie, and that the only name of the passenger on your document was Mrs. Garner — one passenger. I ask you: is that the government policy that the plane can go out and pick up the respective wives of the government members?

Hon. Mr. Schoenhals: Mr. Chairman, once again I will find the details of that particular flight. It's quite possible that the minister had a commitment in one place and his wife attended and then had to be somewhere else. But I can determine. We gave you the information as it stands, and I will get any other details you desire around that particular flight.

Mr. Koskie: Mr. Minister, according to the documents you tabled and obviously didn't read — you tabled in the legislature — you used a government aircraft to fly home to . . . This is to the Minister of Consumer Affairs, by the way.

According to the documents, Madam Minister, you used the government aircraft to fly home to Maple Creek on Friday, February 7th of this year. One the same day, your colleague, the member of Swift Current — the same day — used the government aircraft to fly home to Swift Current for that weekend. On each flight there was one passenger aboard.

I ask you: could you not in fact organize your schedule with your colleague to take the same flight and attempt to save the taxpayers some money and prevent the waste

and the extravagance?

Hon. Mr. Schoenhals: Mr. Speaker, in response, the information you have provided does not indicate the time of day. Once again, one minister may have had a meeting or a responsibility at 8 o'clock in the morning; the other member may have gone home . . . had a full day of work here in Regina and gone home for a speaking engagement in the evening. So I don't think it's at all unreasonable to assume that that could very logically happen. And that is in fact the purpose of having the executive air, so people can carry out their duties in a reasonable manner.

Absence of a Member from the Legislature

Mr. Tchorzewski: Thank you, Mr. Speaker. I have a question of the Deputy Premier, and it's not the question he thinks I'm going to ask him.

Mr. Deputy Premier, my question has to do with a large number of complaints and inquiries which we have been receiving in our office from constituents in the constituency of Wilkie. This is now day 63 of this session. We've had a budget speech; we've had a throne speech; and the session began on March 17. Since the session began, the member from Wilkie has never been in this Assembly, Mr. Deputy Premier. He has never showed up.

Can you inform this Assembly, Mr. Deputy Speaker, and the taxpayers of Wilkie, where their MLA has been, and why he does not find it and consider it important enough to represent them in this Assembly?

Hon. Mr. Berntson: This may surprise the hon. member, but that's exactly the question that I thought he was going to ask.

Mr. Speaker, we have from time to time — the other day, in fact, the Minister of Health was out in Wilkie constituency, and not one complaint did he get from any of the fine constituents of Wilkie constituency as it relates to the representative of that constituency here in this Legislative Assembly. I don't in any way, shape or form intend to account for the member for Wilkie or his actions or his attendance here at this legislature.

All I will say is this, Mr. Speaker, that as long as this government is sitting here, Wilkie constituency will be well represented in this legislature.

While I'm on my feet, Mr. Speaker . . . (inaudible interjection) . . .

Mr. Tchorzewski: The Deputy Premier tries but . . .

Mr. Deputy Premier, I have a supplementary. In light of the member from Wilkie's inability or unwillingness to perform his duties, can you inform this Assembly and the Saskatchewan taxpayers how much this MLA has received in salary, allowances, and other payments since this new session began?

Hon. Mr. Berntson: I suppose I could find out, Mr. Speaker. I kind of expect that as a back-bencher in this Chamber, he gets paid exactly what you get paid in this Chamber, and probably contributing far more than any

member sitting on that side of the House, Mr. Speaker, but I suppose I could find out. If this is the most compelling issue of today and if the member's insisting . . .

In any event, Mr. Speaker, while I'm on my feet, Mr. Speaker, I know that the member, the same member, Mr. Speaker . . .

Mr. Speaker: I just wanted to advise the member from Regina North East that there can only be one final supplementary, and he's already asked for that . . . (inaudible interjection) . . . Yes, you did.

Cost of Advertising in the Saskatchewan Report

Hon. Mr. Berntson: The member from Regina North East some time ago asked me a very compelling question, and I have been trying on several occasions since then — and this is no aspersions on the Chair, Mr. Speaker — but I have trying on several occasions to be recognized so that I could answer the question. And the question had to do, Mr. Speaker, with this publication, the Saskatchewan Report, and how much was spent in government advertising in the Saskatchewan Report. And then there was a supplementary that asked how much was spent in advertising in the Star-Phoenix, and how much was spent, Mr. Speaker, in the Saskatchewan Business magazine. Well, I have those answers, Mr. Speaker, and I'm very pleased today . . .

An Hon. Member: Send them over.

Hon. Mr. Berntson: Well I could send them over, but I'm very pleased today to tell the member exactly what those numbers are. In the case of the Saskatoon Star-Phoenix, Mr. Speaker, and I think this has to do with the 1985 year, calendar year — understand? — 1985 calendar year. The Star-Phoenix was \$472,616.43. That compares, Mr. Speaker to \$344,000 spent on the Star-Phoenix in 1971 when the cost was 67 cents a line, as compared to 98 cents a line today. So in fact if you count inflation, cost increases, the previous administration spent more on the Star-Phoenix than we did.

In the case, Mr. Speaker, of the Saskatchewan Business magazine, the . . .

Mr. Speaker: Order, order, please.

Hon. Mr. Berntson: The Saskatchewan Business magazine, Mr. Speaker, which has a circulation of 10,000, and eight publications a year, we spent \$56,022.35. In the case of the Saskatchewan Report, Mr. Speaker, which has a circulation of approximately 40,000, and 12 publications a year, there were \$99,314 spent. In that case it's May to May because this particular publication didn't exist in the whole calendar year of 1985.

Now the kinds of . . .

Mr. Speaker: Order, please. Order. Order!

INTRODUCTION OF BILLS

**Bill No. 66 — An Act to amend The Urban Municipality Act,
1984 (No. 2)**

Hon. Mr. Dirks: Mr. Speaker, I move first reading of a Bill to amend The Urban Municipality Act, 1984 (No. 2).

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

ANNOUNCEMENTS

Appointment of Primate to Anglican Church of Canada

Hon. Mr. Embury: Mr. Speaker, before orders of the day I'd like to make a congratulatory message, a brief one, Mr. Speaker.

Yesterday was a very important day, both for myself as an MLA from Regina, and for Saskatchewan, I think, as a whole. Yesterday, Mr. Speaker, Archbishop Michael Peers was elected as the Primate of the Anglican Church of Canada. And, Mr. Speaker, this is the first Saskatchewan bishop to rise to the primacy of the Anglican Church in Canada in the history of the church in this country.

As a member of the church from which Mike Peers was the rector . . . first became rector, Mr. Speaker, in 1974, of St. Paul's Cathedral in Regina. He has been very active in the church and in the community in Regina. He was ordained bishop of the Qu'Appelle diocese, and in 1982, Mr. Speaker, he became the archbishop and metropolitan of Rupert's Land, which consists of 10 western dioceses in western Canada.

Mr. Speaker, it is a first for Saskatchewan, and obviously a first for the Diocese of Qu'Appelle in Regina, that Mike Peers has been elected yesterday as Primate of the Anglican Church of Canada. And I would simply like to pass on my congratulations to him and his family.

Hon. Members: Hear, hear!

Hon. Mr. Blakeney: Mr. Speaker, may I join with the member for Lakeview, the Minister of the Environment, in extending our congratulations to Archbishop Michael Peers on his election as primate of all Canada, the titular head of the Anglican Church in Canada.

Archbishop Peers had been a distinguished churchman here in our midst and is a very, very lively individual who takes a great deal of interest in affairs outside the strict realm of the church which he serves with such distinction.

And I know that all members on this side of the House would join with members on the other side of the House in extending our congratulations to the new primate.

Hon. Members: Hear, hear!

Hon. Mr. McLeod: Mr. Speaker, I would ask for leave of the Assembly to move down the order paper to government orders.

Leave granted.

MOTIONS

Referral of Bills to Standing Committee on Non-Controversial Bills

Hon. Mr. McLeod: Mr. Speaker, I would ask leave of the Assembly to move the following motion. I move, seconded by the Minister of Highways and Transportation:

That the order for second reading of Bill nos. 62, 63, 64, and 65 be discharged and the Bills be referred to the Standing Committee on Non-Controversial Bills.

Mr. Lingenfelter: Mr. Speaker, if I could just ask the minister a question. As I understand it, there was some question about House amendments that may be necessary for some of the Bills. They will then be referred back to the committee for those amendments to be made?

Hon. Mr. McLeod: Yes. I perhaps should have explained that, Mr. Speaker. What we will do, apparently there's a need for at least two House amendments that I know of. Those can then be referred back by the chairman of the Non-Controversial Bills Committee who will specify which particular clauses they fall in, and it will just expedite the business of the House, Mr. Speaker.

Motion agreed to.

ORDERS OF THE DAY

GOVERNMENT ORDERS

ADJOURNED DEBATES

SECOND READINGS

The Assembly resumed the adjourned debate on the proposed motion by the Hon. Mr. McLeod that Bill No. 56 — **An Act respecting the Sale of Assets of Prince Albert Pulp Company Ltd. and Saskatchewan Forest Products Corporation and the Establishment of a Paper Mill in Saskatchewan** be now read a second time.

Hon. Mr. Blakeney: Mr. Speaker, I spoke at some length before I adjourned the debate on this Bill. I've had an opportunity to review the comments of the minister and to study the Bill with some degree of diligence.

The Bill, Mr. Speaker, deals almost exclusively — indeed, exclusively — with the procedures which will be necessary for guaranteeing about \$83 million to be borrowed by the Weyerhaeuser corporation to finance the construction of the paper-mill and possibly the financing of the renovation of the pulp-mill. I will speak as if it were money to construct the paper-mill, since the paper-mill will certainly cost more than the \$83 million proposed.

The paper-mill, the figure for its construction has not yet been revealed, but the amount which will be needed for the paper-mill and the renovations can be put at about \$250 million. That, as the minister I think described, will

be split three ways, and this is one-third of it — \$83.4 million or thereabouts. It is to be borrowed by Weyerhaeuser and guaranteed by the Government of Saskatchewan.

Mr. Speaker, I have no objection, and my colleagues have no objection, to the financing of industrial projects this way; we have no objection in principle. The method whereby the Government of Saskatchewan has either provided money by way of mortgage, or guaranteed money which others provided by way of mortgage for major industrial projects in this province, is now well established.

(1445)

I participated in one way or another in a number of these. The Saskatchewan Cement Company Limited was perhaps the first of the post-war group where money was borrowed and the government guaranteed the bonds; the Interprovincial Steel was the next major one. Ipsco is still with us — and it was financed by a government guarantee of the bonds. The next major venture was the Prince Albert Pulp Company Limited in 1966. And the major financing there came from money provided by purchasers of bonds, again guaranteed by the Government of Saskatchewan.

I may point out, Mr. Speaker, that I was in the legislature at that time and voted in favour of the Bill whereby the bonds of the Prince Albert Pulp Company Limited were guaranteed by the Government of Saskatchewan as, in fact, did all of my colleagues at that time. The Prince Albert Pulp Co. Ltd. Assistance Bill, as I believe it was called, about that — 1966, was passed without a dissenting vote by the legislature.

We now have what amounts to a further step in the construction of that complex, and the proposal is that there be a paper-mill. I want to state that I have no objection in principle to the guaranteeing of the money for the construction of a paper-mill adjacent to the pulp-mill at Prince Albert.

Having said that, Mr. Speaker, I do have a large number of questions with respect to the financing of it. There are a great number of questions which should be asked when we are guaranteeing \$80 million and when we are selling an asset of the Crown for \$250 million.

I want to say to the minister that while we are now dealing with the principle of the Bill — and I will be voting for this Bill — I will be wanting to ask in committee what the deal is. And I think it is reasonable, Mr. Speaker, that we ask what the deal is. And it's reasonable that we ask the minister to provide the committee of the whole, which will be considering the Bill, with the documents. I think it will be reasonable for us to say: what is your deal with Weyerhaeuser; what commitments do you undertake; what commitments does Weyerhaeuser undertake.

We are, Mr. Speaker, talking about a large sum of money — \$250 million. That's \$250 for every man, woman, and child. Every family of four, we're talking about \$1,000 of their money. And with respect to the guarantee, we are talking about another \$325 of their money for a family of

four. So our notional family of four has more than \$1,300 of their money that we're talking about. And if we represent 9 or 10,000 people, then obviously we have some obligation to ask these questions.

And I want to say to the minister, we will be asking in committee for the documents, for the agreements. If they are not signed, and I would be surprised if they weren't, but if they are not signed, then draft agreements which generally outline the nature of the transaction could be provided.

We have, Mr. Speaker, some specific questions. We will want to direct our attention to the purchase price of \$250 million and the repayment terms. And, Mr. Speaker, they are the same question. To sell a mill at \$250 million at 5 per cent interest is to sell it at about \$150 million at 10 per cent interest.

One needs to compute the present value of the money, and if it's . . . obviously if it's being sold at a market rate, the interest is at a market rate, then the present value is the same as its computed value, because it will be assumed that you can invest the money at today's rate.

But if in fact the interest rate is not a market rate, then this is a highly relevant piece of information. None of us would sell our farm . . . We would assume that if we could get \$300,000 for our farm, we were getting the same price if the person said, yes, I will give you \$300,000, but I'll give you a note at 5 per cent; we would know that we weren't getting \$300,000 for our farm. We would twig to that right away.

And similarly we will want to ask the minister what the arrangement is; similarly with respect to the repayment terms. And we don't know what the repayment terms are. Reference is made by the minister to an income debenture, which is quite consistent with the language used in the first press release, indicating that it would be paid for out of the profits of the combined venture.

If it's to be paid for out of the profits of the combined venture, as I said earlier in my remarks, one needs to know a little bit about the financial structure. On the face of it, Mr. Speaker, it looks as if it's going to be a very highly leveraged operation. It looks like \$5 out of every six is going to be provided by loan capital.

To phrase it another way, the debt/equity ration of this pulp-mill is going to be absolutely unique in Canada. when I say pulp-mill, I mean pulp and paper-mill. It would be . . . One would search very hard and very long to find a pulp-mill which was financed on the basis of five-sixths borrowed money and one-sixth equity. This is not necessarily to say that's a bad arrangement. We should know what it does to the profit and loss picture, since the combined complex will have to carry a very large depreciation, as anyone does, or capital cost allowance, and it will also have to carry a very large payment of interest. Only then will there be a profit, once those are deducted, and only then will we know whether there's any pool of money to pay back the \$248 million. So all of these questions need to be addressed. They're all highly — or not all highly technical but they're somewhat technical — and they're all very important when we're

dealing with public assets of this magnitude, of the scale.

So, Mr. Speaker, I find myself in a position whereby I agree with the principle of the Bill of guaranteeing some money to purchase or to finance the construction of a paper-mill, but whether or not I will find the transaction satisfactory and will be able to support it at later stages, I cannot say. And nor, I suspect, can anyone else say, unless they know more about the facts than I do.

And I look at the member for Prince Albert-Duck Lake, and he is suggesting, apparently, that members of this House should agree to sales of public assets without knowing the terms, or should agree to major transactions involving large guarantees without knowing the facts.

Mr. Speaker, I will refrain from engaging in any by-play with one or two members opposite; I simply want to make this point before I sit down.

There has been no facts made public on which anyone can make any rational decision as to whether this is a good financial deal — none. And if any member opposite says that on the basis of the published facts he knows that this is a good financial deal or a bad financial deal, I invite him to stand up in this legislature and explain how he arrived at the conclusion that it was a good financial deal or a bad financial deal, without knowing the rate of interest that we are getting on our \$248 million; without knowing the repayment terms; and without knowing the financial structure of Weyerhaeuser from which we have to look to provide profits to pay back the \$248 million.

None of those facts are on the table, and I do not believe that anybody can express any rational opinion without those facts. Any member, let's say of the bar, who suggested that he could express a rational opinion without knowing those facts would be very, very careless indeed. And I know members opposite who are members of the bar are not careless; they are prudent people, and they would not express these views unless they had those facts. I don't have them and, therefore, I cannot express a view.

I do say, Mr. Speaker, that the proposal for having a paper-mill is one which is very, very welcome I am sure, as I said earlier in my remarks, particularly the aspect of finding a greater use for our aspen resource, and accordingly we find ourselves interested in the proposal, not objecting in principle to the guarantee, but finding ourselves without the facts on which to express any sound judgement as to whether it is financially prudent.

I will be voting for the Bill, and I will be asking the minister to provide us with firm data in committee. I very much hope he will provide the data because I don't think he would want the people of Saskatchewan and this legislature to vote for or against a project of this magnitude without laying before the public what the rules are, what the facts are, what the commitments are on each side. I am sure that members opposite feel it's a good financial deal and will have no hesitation in defending it. And we will look at it as dispassionately as we can to see whether or not we agree that it's a good financial deal — a prudent deal on behalf of the people of Saskatchewan.

Mr. Speaker, I'll be supporting the Bill.

Some Hon. Members: Hear, hear!

Hon. Mr. McLeod: Mr. Speaker, just in responding to some of the points raised by the Leader of the Opposition in today's debate and certain of the points that he raised in opening debate in second reading the other day, he made some reference . . . And I won't go into that in great detail except to say that I am pleased, I am pleased to hear the Leader of the Opposition recognize that this is a good deal for Saskatchewan; and not in the sense that we're talking about the deal in itself, but in terms of the building of a paper-mill and the integration of pulp and paper and the saw-mill operations on Bodmin, and so on . . . (inaudible interjection) . . .

The member from Quill Lakes, Mr. Speaker, is now entering the debate. I'm trying to respond to the points that were made by his leader who clearly understands some of the situation that we're into here.

Mr. Speaker, there is no question, as I said in my earlier remarks in this second reading debate, that this is an extremely important industry for the northern forests part of the province, and that this integration, as I've said, of pulp and paper is very, very important to it.

As in regards to the financial transactions, I know, as the Leader of the Opposition has indicated, that he understands well the way in which these debentures can work. I know that he understands that revenue debentures are relatively complicated instruments, and they are more than just relatively complicated. They're normally used where there is uncertainty as to the value of the entity because of the difficulty in forecasting the future income from the operation. This has certainly been the case in the market pulp industry.

The province of Saskatchewan has been most fortunate in negotiating this debenture on the basis of the income from the integrated pulp and paper operation. Many of the people with whom we negotiated earlier . . . And it was widely known — it was widely known across this province and in fact throughout the industry everywhere that we have been negotiating with whoever would come forward to try to get this integrated facility into place.

Many of those that we negotiated with earlier wanted to isolate the pulp-mill revenue in placing a value on the mill purchase. At current pulp price forecast this resulted in a negative to minimum value being placed on the mill, and those in the industry and close to the industry know it well.

But in response to the leader's question as it relates to some of the details and so on, what information that can be released at this stage will be; I'll give him that undertaking. For example, the interest rate on the debenture will be at 8.5 per cent, a fair rate considering the term of the agreement, Mr. Speaker.

(1500)

The transaction has also been submitted to a

comprehensive review by Revenue Canada in order to obtain a tax ruling. A most critical factor in this ruling has been the necessity for there to be reasonable assurance that the province would recover the face value of the debenture in an acceptable time frame. There are two factors which would adversely affect the repayment schedule; the first, a continuing disastrous pricing scenario for market pulp; the second, further expansion of the facilities by Weyerhaeuser, say, by the installation of a second paper machine.

The serving of senior debt, such as is to be guaranteed under the authority of the proposed legislation, takes priority in the call on available funds. In either case, the province will still come out ahead. In the first case, operating as if we still owned the pulp-mill, the province would be forced to debt-finance large operating losses. In the second case, repayment would be moderately deferred, but the province would have the benefit of additional jobs and resource harvest.

And the Leader of the Opposition is correct in his statements the other day in stating that there's no cash down, and others have been criticizing — the member from Athabasca mentioned this as well — no cash down on the purchase of the pulp-mill. There are, however, immediate cash requirements for the previously mentioned mill improvements and the start of the paper machine construction.

This non-cash transaction is not unique in this industry, Mr. Speaker, and we can give some examples, and we may get into some of these in committee. But Boise Cascade is in the process of buying a market pulp, an uncoated free sheet paper-mill from the Allied Paper Division of the Hanson Trust. Hanson Trust have waived cash requirements and have accepted payment in preferred stock and debt. The specifics of the deal, as to the terms and conditions attached to the preferred stock, are, like the deal with Weyerhaeuser, at this stage commercially confidential.

The situation regarding the sale of PAPCO is unique in that this pulp-mill is one of the very few in Canada that is 100 per cent government-owned. Other mill sales in New Brunswick and British Columbia have involved cash in the transaction, but not surprisingly in these days, Mr. Speaker, such cash has been provided by government loans to the purchaser. I understand that a fairly recent sale in New Brunswick was a transaction of this nature and, further, that that final payment was not in cash but in product from a paper-mill to be built. The prime provincial interests have been to retain the operation as a going concern.

Agreements are being negotiated to assure that PAPCO continues as a going concern. We were also concerned that planning and construction of the paper-mill will commence immediately, and this covenant is included in the agreement as well.

With respect to the financing, Mr. Speaker, I wish to emphasize that, notwithstanding the fact that the province is guaranteeing a loan of \$83.4 million, as has been mentioned, Weyerhaeuser's parent company is also guaranteeing a loan of 83.4 million, and all of this is

additional to a cash investment by Weyerhaeuser Canada of 83.4 million or thereabouts. If the mill can be built for less than \$250 million, Mr. Speaker, the guaranteed amounts will be reduced proportionately.

Regarding the forest management, I have some other material here, and I don't think I'll get into it — the forest management lease arrangements and so on. I'm sure we can get into that in much better detail in a question-and-answer sort of format in committee. I would undertake to do that, Mr. Speaker. The Leader of the Opposition mentioned things about the forest management lease arrangements which he'll want to know details about. He also mentioned the relationship of the Bodmin sawmill and what it means to the community of Big River and that area. He also mentioned the employment, what the employment numbers will be in terms of the number of jobs created, and so on. Many of those questions could be much more easily answered in the to and fro of committee and the way in which committee works.

So, Mr. Speaker, with those few comments — and having given the member the undertaking, what the interest rate will be here at this stage and, as well, that we will release whatever documents we can at this stage, and certainly we will be giving him some undertakings in committee — I would move second reading and encourage all members of the House to support the Bill.

Motion agreed to, Bill read a second time and referred to a committee of the whole at the next sitting.

COMMITTEE OF FINANCE

Consolidated Fund Budgetary Expenditure Finance Ordinary Expenditure — Vote 11

Hon. Mr. Lane: Thank you, Mr. Chairman. To my right is Mr. Dave Heron, deputy minister; Keith Mackrill, to my left, is direction of administration; Bill Shupe, assistant deputy minister; Morley Meiklejohn, assistant deputy minister; Mr. Wayne Brownlee is with us, associate deputy minister; Jack Vicq, associate deputy minister; Jim Marshall, assistant director, economic policy.

Item 1

Mr. Lingenfelter: Thank you, Mr. Chairman. Mr. Minister, I want to first of all start off by saying the Leader of the Opposition will be taking the majority of these estimates; he just stepped out for a moment.

But there are some things that I wanted to get from you. One is on your personal staff. Do you have with you a list of your executive assistants and special assistants, secretaries, their salaries, and any increases that would have occurred in the time period from January 1st of '85 up till the present time? Have you got that list with you?

The other issue that I wanted to raise is, on your staff within the department, the executive group — that would include your deputy and associate deputy and the executive directors — if you have that list with you, the salaries, any increases that would have occurred, anyone

who has been released from those positions or moved from those positions, and anyone who has moved in in that same time period, Mr. Minister.

Hon. Mr. Lane: I don't have the list of those who previously occupied the positions. I have the other information for you. I can endeavour to undertake, or to get who was previously in the respective positions.

Mr. Lingenfelter: Mr. Minister, under the Minister of Finance's office staff salary increases you indicate that the 1985 salary step, and you give the percentage increase. Was that the only increase that each of these individuals got? Was there any other . . .

Hon. Mr. Lane: That's the full up-to-date information that you have there.

Mr. Lingenfelter: Here again, I wanted to ask you on, for example, Arlene Kenville, whose salary increase was 6.1 per cent, an Linda Tiefenbach, whose increase was 7.3 per cent — and you call it a promotional increase. What were they doing before, and what do you mean when you talk about a promotional increase?

Hon. Mr. Lane: Mrs. Tiefenbach was promoted from a ministerial assistant 1 to 2; and Mrs. Kenville was an A to a C.

Mr. Lingenfelter: Well I understand that they got the promotional increase in terms of salary, but how do their . . . Are they in a different office, are they doing different work, or who took their place in the department?

And the point that I'm making, Mr. Minister, is that here again we have 50 per cent of your staff, if you exclude the one whose salary is under review, Len Exner, if you exclude that one whose salary hasn't been increased because it's under review . . .

An Hon. Member: That was the guy who organized his nomination campaign.

Mr. Lingenfelter: And my colleague reminds me of some background of that individual. But I say 50 per cent of your staff got an increase of more than the public service guide-lines, and of course you call it a promotional increase.

This seems to be what's happening in all the areas of the upper echelons of the political staff of the ministers' offices, is that about 50 per cent of them are getting increases above and beyond what normal civil service guide-lines are. And what many people who work for the government, and others who aren't getting any increase, are saying is that these promotional increases are nothing more than an arrangement that the minister has with his political staff to get them a bit of extra salary.

I'm sure that within the public service you would agree that 50 per cent of the employees don't get increases due to promotions, and that the percentage of increases due to this kind of an arrangement within ministers' offices is far higher than what is happening throughout the civil service.

I just wonder whether or not you can give an explanation why this is happening in every department, where the political staff are getting those kind of increases where others in society are being told that there's a restraint program on, and many people are being told that a zero per cent increase is in order. Some places in the private sector, cut-backs are being called for. Your friend, Peter Pocklington, of course, in Alberta, is talking about salary cut-backs in the private sector.

How is it that political staff — Linda Tiefenbach, for example, ministerial assistant, getting a 7.3 per cent increase; and another assistant getting a 6.1 — how do you justify that?

Hon. Mr. Lane: Mrs. Kenville — salary from \$1,611 per month to \$1,874 per month — had been doing general secretarial work and then began to do ministerial secretarial work, which was a promotional increase of 6 per cent including the steps. Mrs. Dugalo had an increase of 2.9 per cent; she's now making \$1,514 per month. Mr. Armstrong had a 3.7 per cent increase. Mr. Exner has a zero per cent increase. And Mrs. Tiefenbach went from doing secretarial duties to ministerial assistant duties, and as such that's the promotional increase.

Mr. Lingenfelter: Well I suppose I go back to my original question. Do you see any irony, in the ministerial offices, that on average about 50 per cent of them are getting those kind of increases that are beyond the guide-lines set out for other workers in government? Is it just a coincidence that in every minister's office that there seems to be those kind of increases based on promotion, whereas in the general staffing of government there is nowhere near that? Is that merely a coincidence, or is there a mechanism in place for ministers to give a little extra money to their political staff?

Hon. Mr. Lane: Again the increases that you're talking about are — two out of five — Mrs. Kenville was doing general secretarial work and then assumed duties for the minister's secretarial duties, which historically in the province has engendered different types of activities. Her salary is now \$1,874 per month. For example, Mr. Exner was zero per cent increase. Mrs. Tiefenbach, I have indicated to you had been doing general secretarial and is now doing ministerial assistant work and received the increase. Her salary is now \$2,455 per month.

(1515)

Mr. Lingenfelter: Well the minister, when he says two out of five, of course is leaving out Len Exner who hasn't got an increase, but basically that's because it's still under review. What is the problem there? Is there some outstanding issue with that individual? Are you reassessing his role in your office? What is the review, that you refer to, comprised of?

Hon. Mr. Lane: The outstanding issue is I would like to be able to pay Mr. Exner considerably more, but he's at the top of his range.

Mr. Lingenfelter: Well that leads me to another question. There was a news release that I received from a Mr. Barber who talked about this individual and his role

in a certain nominating convention — and I'm certainly not going to refer to whose nomination that he was talking about — but he was indicating that Mr. Exner was involved in a political way while on staff with the minister, but would the increase that you want to give this individual have anything to do with the result of that particular nominating convention that may have been . . .

An Hon. Member: He did a good job.

Mr. Lingenfelter: And the member from Saskatoon yells from his seat that he did a good job. I thought the Premier had indicated that he wasn't in fact, working in a political way while on salary from the minister. But is this the same individual that Mr. Barber was talking about being involved in the nominating convention?

Hon. Mr. Lane: Yes. Mr. Barber indicated that Mr. Exner was the campaign manager. That was totally inaccurate. But secondly, if the hon. member is indicating that election results are to determine a salary increase, I am prepared to look at what the opposition is paying some of the advisers who suggested: "Go in April, and go on the Crow," and whether they've had increases over the last four years. I don't know. I don't think that's ever been the criteria, but it's interesting to contemplate.

Mr. Lingenfelter: I suppose the more interesting thin, and the more current thing, Mr. Chairman, is who's advising Premier Devine on when to call the election now as the polls quickly slide away . . .

Mr. Chairman: I think we should stick with the Department of Finance and not on the polls.

Mr. Lingenfelter: Point of order. If I could ask how the rules of the Assembly work when the minister refers to certain election campaigns and you sit there and say nothing . . .

Mr. Chairman: I think it should be both sides of the House that should stick to Finance.

Mr. Lingenfelter: I just find it interesting when you make your decision, and if we could have a little fairness, it may work a little better.

Some Hon. Members: Hear, hear!

Mr. Lingenfelter: I just want to say that in indicating the review that is under way and trying to get this individual more than the \$44,000 a year that he's now earning, that I would hope that you wouldn't strain the public purse too much. And here I'm not suggesting that there shouldn't be an increase of the 2 or 3 per cent that is normal, nor do I want to suggest that you're holding off the increase to pay off for political favours done because I don't know that. But given the fact that the individual running in that nomination, a Conservative candidate for nomination, was indicating that, the suspicion is certainly going to be there in the public's mind that one of the reasons that it's under review and you haven't announced it is because there will be a substantial increase, and much more than what you're admitting here for some of your other employees, 7.3 per cent; and that the reason that it's under review is because you may be embarrassed

during estimates about the massive increase this person is going to get.

And all I'm saying here is that you be fair in giving this individual an increase of what he deserves, of course, but within reason that others in the civil service are being asked to live with; and if you'll give us that commitment now, that the increase will not be out of line with the guide-lines set down by the Public Service Commission.

Hon. Mr. Lane: I note that — I believe that Mr. Exner's been at that salary for some considerable time and has been at the top of his range. But I certainly will take your very strong arguments for an increase for Mr. Exner, and I'm glad you recognize his abilities and talents. And I appreciate the opposition's gesture that he should have an increase of some kind, and I will very much take into account. But we have no plans. He is at the top of the range and, as I say, as much as I would personally like to see him earn more, he has been at the top of the range for some time.

Mr. Lingenfelter: Well I just say again, in talking about the increase, that I think that if any individual is doing an excellent job in the minister's office that they deserve a 2 or 3 per cent increase. And this individual may deserve the top of that range, a 3 per cent increase, for winning a certain nomination with what he had to work with, squeaking him through one more time. I just say that he may deserve a 3 per cent increase, and I will leave that for now. And, as I say, the Leader of the Opposition, the member from Elphinstone, may have more questions.

But if we turn now to the executive salaries of the Department of Finance, I want to ask, Mr. Minister, if you can give me a short resume of the two individuals at the top of the executive salary, but the two main officials — the deputy minister, Mr. Heron, and the assistant deputy minister, Mr. Shupe, I believe you pronounce that — I may have that wrong. But can you tell me the background and the arrangement that you have with them — whether they're on contract, whether they're on leave from a company, and give me that? and I will have a few questions to follow.

Hon. Mr. Lane: Mr. Heron was senior partner of Peat Marwick in Saskatoon. Taxation is his field of expertise. I can get you a detailed resume of Mr. Heron's qualifications; I will have to forward that to you. And Mr. Shupe was with Pemberton Houston Willoughby. Both are on two-year leaves of absence from their respective employers.

Mr. Lingenfelter: Mr. Minister, in the answer that you gave me, you indicate they're both on contract for two years from their respective companies — I believe, Peat Marwick, and Pemberton? They are on leave of absence with a contract with the Saskatchewan government?

Hon. Mr. Lane: Yes, Mr. Shupe, just to give you more information, is a lawyer, was head of their corporate finance activities in Pemberton Houston Willoughby.

Mr. Lingenfelter: In addition to the \$98,400 that your deputy minister is receiving by way of a contract as

opposed to a salary, can you tell me what other perks that he may have? Are there any unusual perquisites that this individual may receive in terms of an automobile? And I say here as well, the automobile, I think, is relatively standard with deputy ministers, and I'm not making an argument that he shouldn't be having an executive automobile. But are there any others, including the automobile, that this individual would receive from the government?

Hon. Mr. Lane: No. And the salary you have there is gross salary; there are no other benefits; that's all in, except for the car. He has the usual deputy minister automobile privileges.

Mr. Lingenfelter: When you say that's all in the 98,400, he would still have expense accounts, access to credit cards, and that type of thing — access to the executive aircraft, and travel allowance and that type of thing — in addition to the 98,000?

Hon. Mr. Lane: Yes, the standard that all deputies get, but nothing over and above that.

Mr. Lingenfelter: And what about the assistant deputy minister, Mr. Shupe; would he have a similar access to executive automobiles which would mean he'd be allowed to purchase one within certain limitations?

Hon. Mr. Lane: The only other item is a car allowance of \$100 a month.

Mr. Lingenfelter: I may be wrong in this but, as I understand it, the deputy or assistant deputy works out of Saskatoon — one of them works out of Saskatoon? I could be wrong in this, but it's my understanding that one of them has an office in Saskatoon and works out of there, week by week.

And what I'm wondering is how that arrangement is set up. I'm sure that you would agree that the normal process is the minister and the deputy minister are in daily contact, and I know you can do that by telephone, but can you tell me which of the two is located in Saskatoon and why that unusual — if I can call it that — why the unusual situation there?

Hon. Mr. Lane: Yes. The deputy minister, Mr. Heron, is headquartered in Saskatoon. The reason is it's a rather short secondment of two years' leave from his employer, and with his family still in Saskatoon and maintaining the family residence in Saskatoon, those arrangements were made.

Mr. Lingenfelter: I wonder, in setting up this arrangement with the deputy minister located in Saskatoon, can you tell me what extra costs there were in setting up the officer; where is the office located; and what personal staff that he would have available to him — executive assistants, secretaries, and that type of thing — within the office unit of the deputy minister in Saskatoon? How many personal staff would he have in that office, and where is it located?

Hon. Mr. Lane: There's no executive assistant, any staff of that nature. There is a temporary secretary in the

Saskatoon office. We will have to get the rental information from Supply and Services.

I might add that in the normal course, if we were attempting to bring in a deputy from a location other than Regina, there would be the traditional moving expenses and whatever would be negotiated by the deputy minister maintaining family in Saskatoon. Those expenses don't arise, but I'll have to obtain the information on rent of the Saskatoon office from Supply and Services. If that's what you wish, I will supply that to you.

In terms of staff, there's only the temporary secretary.

Mr. Lingenfelter: Can the minister ... I had asked for the location of that office. Is it in the Sturdy Stone Building in Saskatoon? Can you give me the location of that?

Hon. Mr. Lane: Saskatoon Square.

Mr. Lingenfelter: And the assistant deputy ministers and associated deputy ministers who you have here, they would be then located in Regina, or are there others in the executive group who are with Mr. Heron in Saskatoon?

Hon. Mr. Lane: They're all in Regina.

Mr. Lingenfelter: I wonder if the minister could outline in terms of the operations of the Department of Finance. It's a little difficult to understand the reasoning from your perspective, in terms of running an efficient department, how you can have it split up between two cities, and I know that in terms of the deputy minister's moving of his family and that, I'm sure that it is more convenient to remain in Saskatoon, and I'm not arguing that side of the debate.

But in terms of your job as minister, do you find this arrangement a little tough to get the budget put together, that type of thing? I noticed that there's a few things left out of the budget. Some of the SIP (Saskatchewan income plan) estimates, which my colleague from Regina North East will bring up, were sort of left out of the budget. In fact, there were other things that were noticeably lacking out of the budget document, which now we're having Bills introduced, and I'm not blaming that on the deputy. I think there could be another scenario for that — that it has more to do with the public opinion polls that were sliding and the budget didn't quite do the trick, and now we have to spend a little more money.

But can you explain to me, having the deputy located in Saskatoon, is that causing any problems in getting the budget document put together? Is that one of the reasons that some of the mistakes we're now seeing?

(1530)

Hon. Mr. Lane: Well I think when we'll get through the debate, the hon. members will support the government initiatives, but obviously not, and I would expect in the future that we will see more of a senior official presence in the city of Saskatoon by all government departments.

The fact that we do have a deputy minister of Finance located in Saskatoon, certainly it doesn't cause myself or

the department any difficulties, but again, I think that from time to time in the future, we will see more of a senior official presence in the city of Saskatoon.

Mr. Lingenfelter: Mr. Minister, I had mentioned some of the errors in the budget, and I'm sure my colleague from Regina Elphinstone will want to follow that up.

But I wanted to ask you, in terms of assistant deputy ministers and associate deputy ministers from the early 1985 — January 1st, 1985 — were there any additions to that category of the executive of the Department of Finance, or were these positions there and they were just . . . people just changed, or new people slotted into them?

Hon. Mr. Lane: Well Mr. Shupe, previously introduced, commenced October 21st, 1985, and Mr. Jack Vicq commenced November 12th, 1985.

Mr. Tchorzewski: Thank you, Mr. Chairman. Mr. Minister, can I ask you: does the government do business with Peat Marwick and with the other firm from which both of your senior officials are on leave; does the government do business with those firms?

Hon. Mr. Lane: I'm advised the Peat Marwick had done the audit on the SaskPen properties until Mr. Heron was appointed, at which point they gave up the audit. And I'm advised that they have done other work for other departments; property management, for example, I'm advised that they have been selected as the auditor. I'm not aware that they have been selected as the auditor. I'm not aware of any other. We would have to go back to the other government departments — or Crown corporations, not departments — and get any further information. But that's all we have that we're aware of.

Mr. Tchorzewski: I think, Mr. Minister, your officials probably have it in their books somewhere, the nature of the Department of Finance business with any firms of such kind that we are talking about. Do you think, Mr. Minister, without casting any kind of reflection on the two individuals, that the arrangement that you have by which there is the two top people in your department are on leave from firms with which your government does business, that there can at least be perceived by some as a potential conflict of interest, either now or at some future time when this contract is ended?

Hon. Mr. Lane: I suppose that's always the difficulty. If you bring in qualified people or expertise from the private sector, either the perception can be there or the allegation. You ask, what in the Department of Finance, if Peat Marwick Mitchell was doing any work with the Department of Finance. I've given you the answer; the answer is no, that they were doing the SaskPen audit until Mr. Heron was appointed, at which point they severed that relationship.

So I frankly don't know what more one can do. If governments are going to try and attract people, for example, from the investment community, certainly governments that are major players in the investment community. I suppose that perception or the allegation could be there. Mr. Shupe took the employment with the government on the understanding that, one, no relationship and no duties to deal with the financial and

investment services. We certainly recognize what the perception . . . I believe we've responded to it as much as we possibly can and that no benefit accrues to any of the former employers by virtue of their participation.

But the hon. member is correct. When we do bring in people from the private sector, I suppose the allegation can be made. All we can do is endeavour to protect the public and make sure that there's no benefit to the previous employer. I believe we've done that.

Hon. Mr. Blakeney: Thank you, Mr. Chairman. Can the minister advise when Mr. Shupe became the assistant deputy minister, and have you given the committee the remuneration which Mr. Shupe receives?

Hon. Mr. Lane: Yes, to the Leader of the Opposition. I've given the committee all of the salaries of the senior officials and the increases that was asked for earlier. And Mr. Shupe commenced October 21, 1985; Mr. Vicq commenced November 12, 1985; and Mr. Heron commenced September 18, 1985. That information is on the information I forwarded to the opposition.

Hon. Mr. Blakeney: Mr. Chairman, and Mr. Minister, are you aware of the fact that Saskoil offered a substantial share offering to the public? Are you aware of the date, and are you aware of the firm through which it was offered?

Hon. Mr. Lane: I believe that Saskoil — we will have to get the exact dates if that's the hon. member's question — was December. But I believe the underwriters were committed well into the previous spring. That would be April-May of 1985, long in advance of Mr. Shupe joining the Department of Finance.

Hon. Mr. Blakeney: Thank you, Mr. Minister. Your answer implied acknowledges that Pemberton Houston Willoughby had a very major part in that share offering. Do you deny, Mr. Minister, that the Department of Finance regularly does massive amounts of business with Pemberton Houston Willoughby? Hundreds of millions of dollars a year in securities are purchased or sold by your department through Pemberton Houston Willoughby. Do you agree with that?

Hon. Mr. Lane: Certainly, and I freely acknowledge and apologize to the member for not stating that, I believe, they were the underwriter, or one of the underwriters, of the Saskoil issue.

Hon. Mr. Blakeney: Mr. Minister, do you see no problem with having as your assistant deputy minister someone who is on leave for a relatively short period of time — two years is I believe the figure you gave the committee — from a bond house, an underwriting house and bond dealer with whom you do massive amounts of business? May I ask you: is there any bond house in Regina with whom you do more business than Pemberton Houston Willoughby?

Hon. Mr. Lane: I'm advised that there are other investment houses that we do do more business, for example, D.S. Pitfield, Wood Gundy, for example.

Hon. Mr. Blakeney: You are informing me of something I didn't know. I didn't know that D.S. Pitfield had an office in Regina. If they do, it surprises me, but they may well have. Obviously you do more with D. S. Pitfield, who is, I take it, still leading your syndicate.

But I ask you again, Mr. Minister, do you see no problem with having your assistant deputy minister, who obviously deals with the investment decisions on a day-to-day basis, being a person on leave for a relatively short period of time from a firm with whom you are doing massive amounts of business?

Hon. Mr. Lane: Well I'm surprised with the Leader of the Opposition's investment portfolio that he would be surprised that D. S. Ames didn't have an office in Regina, and I'm advised, in Saskatoon as well. But having said that, as I indicated to the committee previously, the assistant deputy minister is not allowed to be involved, does not participate in the investment branch of the department.

I freely recognize the difficulties of bringing in expertise from the private sector because of the allegation or the perception, but from time to time we have to draw on that expertise. I'm comfortable that we have taken what steps we can to ensure that there is no advantage to any previous employers from the activity of those in the private sector. I suppose that's the vigilance that we have to accept, and all I can suggest to the hon. member, certainly there's always a potential for difficulties, always a potential for conflict, but if from time to time we're going to draw on that expertise, I suppose the criticism and the allegation is something that we have to accept. One can hope that the results and the activities of the individuals are proof enough to the public that everything was done properly and correctly and in their best interest.

Hon. Mr. Blakeney: Mr. Chairman, and Mr. Minister, are you taking the position that expertise in operating a Department of Finance is not available except by people on leave from the private sector; that it's not available from people who are part of the regular public service, or from people who you can induce to be part of the regular public service; but you must get your expertise from people who are on leave and part of the staff of Peat Marwick, Mitchell in one case, Pemberton Houston Willoughby in the other?

Hon. Mr. Lane: I very carefully said, from time to time government will draw on expertise from the private sector. As a matter of fact, I believe there is a federal government program which deliberately encourages a flow-back between private sector and the bureaucracy. And I believe it's been extended to the trade union movement as well, so that the public service, one, is brought into the activities of either the trade union movement or private sector business. Perhaps they can develop some expertise that way, to flow through back the other way, the private sector into the bureaucracy, as to learn how government operates.

Did I say that that is the only place, the expertise? No, I never said that. I said from time to time the government may wish to draw on the expertise from the private sector. And I also freely admitted the difficulties with that. I

believe that we will be from time to time looking at expertise from various sources, and we should do that.

The fact that from time to time we may wish to get an expert who does not want to make a lifetime career in the public service, that is prepared to serve for a short period of time, that we should recognize that. We should not, as a government, in my view, exclude that type of individual from ever participating in government.

But I did not in any way state that we couldn't find . . . or that all of the expertise would be in the bureaucracy or that was the only source. I think we should look around. But we have to be cautious, and we have to accept the difficulties that come with that.

(1545)

Hon. Mr. Blakeney: Mr. Chairman, and Mr. Minister, do you have something called an audit committee? Perhaps I will defer that and ask for it under the Provincial Auditor's Act, but I will ask you about it.

Hon. Mr. Lane: Do you want to ask it now?

Hon. Mr. Blakeney: All right. Do you have an audit committee, and who are its members?

Hon. Mr. Lane: The members of the audit committee . . . It is under the Provincial Auditor; I'll endeavour to get what answers I can for you now.

The members of the committee are Mr. William Elliott, who is a partner in MacPherson, Leslie & Tyerman; Mr. John Brennan, who is a Dean of Commerce at the University of Saskatchewan, Saskatoon; and Mr. Jim MacLennan.

Hon. Mr. Blakeney: Thank you, Mr. Minister. I will give you notice that I or a colleague will, under the audit Act, ask how often they've met during the last year.

Hon. Mr. Lane: Is that the only question you have?

Hon. Mr. Blakeney: Yes, that's all I have with respect to that.

Hon. Mr. Lane: They meet once a year. I gather that's the practice, one meeting a year.

Hon. Mr. Blakeney: I won't ask you what an audit committee does that meets once a year. I won't ask you whether Mr. MacLennan attended the last meeting either.

Hon. Mr. Lane: I'm advised that he did.

Hon. Mr. Blakeney: Okay, Mr. Chairman, and Mr. Minister, a few days ago in question period, I and my colleagues asked a number of questions with respect to the Pioneer Trust fiasco. And I propose now to repeat them and ask you what the answers are.

At what point in 1984-85 did the Department of Finance become aware that Pioneer Trust was in serious financial difficulty, and how did it become aware of it?

Hon. Mr. Lane: The department became aware of the difficulty in November of 1984 or '85.

Hon. Mr. Blakeney: I'm not quite sure I understood the answer. Was the answer 1984 or 1985?

Hon. Mr. Lane: November of 1984.

Hon. Mr. Blakeney: So the department was not aware of difficulties prior to November of 1984.

Mr. Chairman, and Mr. Minister, did the department designate in 1984 a staff person to negotiate a government guarantee of a preferred share issue, and at that time was the department aware of the extent of Pioneer Trust's financial situation?

Hon. Mr. Lane: The department was made aware of financial difficulties with Pioneer, but not the full extent of the difficulties. Mr. Meiklejohn was the individual in the department who was involved in the possibility of the guarantee on the share issue. Or what other . . . if there were any other options, we could try and take a look at. I think that's generally brought into the difficulties.

Hon. Mr. Blakeney: Well, Mr. Chairman, I want to pursue that a bit because later that same month undertakings were issued by the Department of Finance — indeed, on November 21st. And you tell me that the Department of Finance became aware of at least some difficulties earlier in that month. Are you aware, Mr. Minister that Mr. Will Klein, the former president of the company writes:

The first discussion which took place relative to the financial problems of Pioneer Trust Company was in a meeting in July of 1983 in which I had received a call from the premier's office and was asked to meet with Premier Devine.

At that particular meeting he asked what the problems were relative to Pioneer Trust because he had a report from the Saskatchewan Department of Consumer and Commercial Affairs through the federal Department of Insurance that there were financing problems as they related to the trust company.

I ask you, Mr. Minister: did the Department of Finance receive no indicate of any of these problems, again, prior to November of 1984?

Hon. Mr. Lane: No. As I advised, the department was advised of the difficulties November of 1984.

Hon. Mr. Blakeney: Mr. Chairman, and Mr. Minister, I repeat again — I quote again from the excerpts from a confidential account of the collapse of Pioneer Trust, by Will Klein, and he goes on to say, as published in the Leader-Post on Saturday, February 8, 1986, and I again quote:

On Tuesday, October 20 . . . I met briefly with the premier and advised him of some of the concerns that related to Pioneer Trust and future financing.

My meeting on October 30 with the premier (again I'm skipping) was not a lengthy one and on Nov. 2 I was at the Legislative Building and met with Ron Dedman.

I ask you two questions: were the meetings in October with the Premier on this issue brought to the attention of the Department of Finance; and the second question is: does Mr. Ron Dedman work with the Department of Finance or the then minister?

Hon. Mr. Lane: No, Mr. Dedman doesn't work with the Department of Finance, and I don't believe he ever worked with the Department of Finance. Secondly, I have advised that the information to the department of the financial difficulties with Pioneer was in November of 1984, and that is the information. As I indicated, one staff person then was given duties to look at it, and that's where the Department of Finance first got notice.

Hon. Mr. Blakeney: Thank you, Mr. Minister. If I did not say 1984 in my previous comments, I certainly intended so to do. I was referring to October 20, 1984, and then Klein again, " . . . my meeting on October 30, 1984 with the Premier." These are all listed under monthly heading, and I am reading the October 1984 heading and then the November 1984 heading.

I go on to quote:

At a meeting on November 6th at Berntson's apartment (I take it the reference is to the hon. member for Souris-Cannington) Klein identified the concerns of the Pioneer Group and its need for capital and suggested an amount of \$20 million. We discussed at that particular meeting how much the capital injection would be, and Mr. Berntson had mentioned, let us make certain that we don't use a band-aid if a stitch is necessary.

I asked Mr. Andrew (and I take it the reference is to the hon. member for Kindersley, the former minister of Finance) if there were precedents of this type of guarantee.

Now this is November 6th. I take it that the Department of Finance, or at least its minister, became aware of the situation on November 6th. The reference goes on: "It was decided that the government contacts would be Dedman and Morley Meiklejohn of the Department of Finance," and I take it is the reference to the long-term and valuable employee of the department, Mr. Morley Meiklejohn.

What I really want to find out is what happened between, let us say, November 6th — at which time the minister was clearly aware of problems and a discussion was beginning to take place as to whether or not there would be a guarantee — and November 21st, when a letter signed by the Minister of Finance was handed to Mr. Klein which stated that the Government of Saskatchewan will guarantee the \$27.5 million preferred share offering of Canadian Pioneer Management Limited. My short question is this: what examination was carried on by the Department of Finance between the period of November 6th and November 21st, or in the period between

November 6th and November 21st when this letter of commitment was given?

Hon. Mr. Lane: Well, in general terms, between the date that the Department of Finance became involved or was notified of the difficulties, the process began of rather lengthy discussions, obviously, with the federal regulator as to the situation. We received advice from the federal regulator as to what would be acceptable. The desirable position of course from, we believe, the province's point of view was to keep a Saskatchewan financial institution operating and viable. They began to get the information. The information sources at that time, I believe, were primarily the federal regulator and advice from Pioneer.

The matter accelerated, resulting in the letter, I'm advised, when the Bank of Montreal, which then had granted pioneer cheque-cashing privileges, threatened to withdraw the cheque-cashing privileges which would have in effect put the company into receivership. We had to make a decision as to what would be acceptable to the federal regulator to allow it to continue, and that was one of the options, I gather — probably the only option — that was acceptable at that time to continue the corporation, to continue the company, in light of the bank's decision to cancel the cheque-cashing privileges.

(1600)

Hon. Mr. Blakeney: Well, Mr. Chairman, you tell me what steps were taken to commit the government to stand behind Pioneer Trust. And as you rightly point out, prior to the time when the letter of commitment of November 21st was given, there was a contact with the Bank of Montreal. And I assume, as a result of that contact, in the words of Mr. Klein, the bank "backed off," I believe is his phrase, but I won't attribute that to him at the moment. Following the discussions with the government people, namely — and a reference earlier identifies that government person as Mr. Costello, the deputy minister — the Bank of Montreal backed off somewhat.

These tell us what happened so far as the government's dealings with the external world. What I am asking — and clearly the government was beginning to commit itself. Deputy ministers don't call the bank and say, ease up, without giving some implied commitment. And then of course on November 21st there was nothing implied about the commitment. The letter given by the minister was clear and unequivocal.

What I am trying to find out is: what examination into the affairs of Pioneer Trust took place prior to the implied commitment to the Bank of Montreal and the very definite commitment contained in the letter of November 21?

Hon. Mr. Lane: I tried to indicate: from the period of time that the department became involved, given the complexity of the situation, there were discussions with the federal regulator. Certainly the objective of the government was to try and keep, if at all reasonably possible, the Saskatchewan-based financial institution going.

The review was beginning. We were getting some advice from the federal regulator as to what would be acceptable

from their point of view. They were giving us their information on their assessment of the situation with regard to Pioneer Trust. The intervening event which accelerated action was the threat from the particular bank to take away the cheque cashing privileges, which, as the hon. member knows, would have at that point effectively shut down the financial institution.

So in terms of what the department . . . the department was acting on advice from the federal regulator, certainly advice from the corporation, and whatever other sources it could get to begin. But to do a full evaluation of the company in a little better than two weeks was very, very difficult, if not impossible, for the government. The government had to make some decisions based on what would have been acceptable to the federal regulator to keep the company going in light of the bank's intervention to protect, I assume, its position.

Hon. Mr. Blakeney: Mr. Chairman, and Mr. Minister, I take it it is not denied that the deputy minister contacted the Bank of Montreal and gave them some indication that the government was standing behind Pioneer Trust. I ask the minister: on whose instructions did the deputy undertake that level of commitment to the bank? did he do it on his own initiative? Did he do it on instructions from his minister or some other minister of the Crown?

Hon. Mr. Lane: I assume the minister. But the point about the evaluation — the hon. member should be aware that the federal regulator was doing its evaluation, which evaluation went on well into December, January, given the complexity obviously of a financial institution. The federal regulator's investigation was going on with degrees of intensity through all of that period of time.

Hon. Mr. Blakeney: Thank you, Mr. Minister, but what you are then telling us is that people were looking into the affairs of Pioneer Trust, that they had not in any sense concluded their examination into the affairs of Pioneer Trust. And while they were making these examinations into the affairs of Pioneer Trust, the deputy minister, probably on the instructions of the minister, indicated to the Bank of Montreal that the government would be standing behind Pioneer Trust. And the minister wrote an unequivocal letter designed to be shown to third parties — it's what a comfort letter is — unequivocal letter saying that the Government of Saskatchewan would guarantee \$27.5 million of preferred shares, all before the government had completed or even got very far along with its examination of the affairs of Pioneer Trust.

Now, Mr. Minister, the question I ask is: how can a department of Finance, and particularly a minister of Finance, commit the public purse to \$27.5 million in a situation which is obviously a highly risky one without some reasonably adequate examination prior to making that sort of a commitment?

Hon. Mr. Lane: Let's keep in mind, one, that it was a guarantee, not necessarily a commitment of the total amount of the funds; secondly, that . . . Let's assume that no guarantee was given. If one assumes no guarantee was given, at the point in November when the Bank of Montreal was going to take away the cheque-cashing privileges, the corporation Pioneer Trust was effectively

in receivership and effectively shut down.

We freely admit that we were trying to maintain the existence of the Saskatchewan-based financial institution. If nothing had been done, the Pioneer Trust would have been shut down in November, and we certainly did believe that we had to make some effort to try and, if possible, save the company.

Secondly, keep in mind that the federal regulators' investigation went on as well; it wasn't completed. So some of the information we had as to what would be acceptable certainly came from the federal regulator. We don't deny for a minute the difficulties. And I believe the previous minister had indicated that if he had all the information, he certainly would not have issued the document.

But having said that, there was a very short period of time . . . the objective, one, hoping that the company could survive. The basic advice we had at the time — but the information sources were obviously limited and somewhat prejudiced in that they were Pioneer — that the difficulties were of a relatively short-term nature. But once that intervening event came in, if the government had have done nothing, the company would have been shut down in November.

Hon. Mr. Blakeney: So that, on the grounds that the trust company would have gone to the wall, and in the absence of information, on November 21st a letter of guarantee was issued.

Mr. Minister, I now want to ask whether or not you were aware of the financial situation, your department was aware of the financial situation on December 28th, which is more than one month later, at the time that three press releases were approved by the Department of Finance — the one relating to the preferred share offering and two others relating to the year-end performance of the company?

Now here, Mr. Minister, we have, a month later — more than a month later — about five weeks later, the department approving a press release to be issued by Pioneer Trust dealing with a preferred share issue which was going to be guaranteed by the Government of Saskatchewan. And I want to ask you, what information about the financial affairs of Pioneer Trust did you have at that time — five weeks after you had issued the guarantee letter of November 21st?

Hon. Mr. Lane: The analyses and investigations were going on as well by the federal regulator during the course of those five weeks and in succeeding times. That investigation was in no way complete by the federal regulator. There was till, on the advice that was forthcoming and the information, there was still some belief that the company could be maintained. But as more and more information came, after January, ultimately the decision was made to not proceed and withdraw the guarantee.

Hon. Mr. Blakeney: Mr. Chairman, and Mr. Minister, now we have a situation whereby in mid-November you were making commitments and by November 21st you

were making very, very hard commitments in writing, without information, and by the end of December you're still making public statements that you're going to guarantee, and still, you tell us, without information, or without sufficient information.

Can you tell me when and by whom Mr. Al Wagar was appointed and to do what?

Hon. Mr. Lane: The information, you say that" without information." The information — we did have information coming primarily from the two sources: one, the federal regulator, and I think we should recall that Pioneer was a federally regulated financial institution. The advice I have, that the officials were aware of the press releases but in no way approved them.

But we should keep in mind, with a federally regulated corporation, that the federal regulator as well had not completed its investigation; and again keeping in mind that the threat to take away the cheque cashing privileges would have collapsed the company at that time. The efforts were made — no one denies it — in hopes of keeping the company going. Mr. Wagar was . . . If I can just take a minute and get the exact dates for the hon. member. We don't have the exact date, but it was January of 1985. Mr. Wagar, of course, had some involvement as president of a financial institution. We were coming to the conclusion that the information we were getting from Pioneer was less than complete. There was increasing concerns from the federal regulator; certainly the officials were increasingly concerned, and we wanted someone outside that could take a look at this and give us their opinion. Mr. Wagar was asked — we don't have the exact date — but it was January of 1985.

Hon. Mr. Blakeney: By whom and to do what, was Mr. Wagar appointed?

Hon. Mr. Lane: By the Department of Consumer and Commercial Affairs to investigate the Pioneer Trust Company.

(1615)

Hon. Mr. Blakeney: Thank you, Mr. Minister. You tell us that the federal regulators didn't have all the information and they, too, were carrying on their investigations. There is a very, very considerable difference between the situation of the federal regulators and the provincial government. The provincial government, while gathering up information, was busy strewing financial commitments about to banks and to other people, whereas the federal regulator was seeking information, presumably before the federal government undertook any financial commitment, if any, if they ever intended to.

The question which I ask — and you may well say that I ought to direct it elsewhere, and if you say that, fine: why did it take until January to appoint someone like Mr. Wagar, who had previous trust company experience, to examine into this matter, when in July of 1983 — 1983 now, and this is January of '85 Wagar was appointed by the Department of Consumer and corporate Affairs — in July of '83 the Premier is discussing with Mr. Klein the

problems which relate to Pioneer Trust because he had a report from the Saskatchewan Department of Consumer and corporate Affairs, through the federal Department of Insurance, that there were financing problems?

We have the situation whereby Consumer and corporate Affairs were aware of these problems in July of '83; the Department of Finance became aware of them in November of '83, and within five or six short weeks had given commitments to banks, commitments which were designed to be relied upon by the federal government. And then in January of 1985, finally somebody is appointed to examine into the affairs of Pioneer Trust after commitments had been freely given.

Why did the Department of Finance not pursue with more diligence examination into the affairs of Pioneer Trust during this period of November and December when they were distributing financial commitments, but apparently not pursuing any rigorous analysis of the affairs of Pioneer Trust, since obviously the information which they obtained from Mr. Wagar on two or three weeks examination proved that Pioneer Trust was not a worthy recipient of provincial government guarantees?

Hon. Mr. Lane: Well I think you will understand, one, that it wasn't a matter of strewing financial commitments. There was the financial commitment made. We've gone over that as to the reason for accelerating any decision. The members should keep in mind that through the course of this, and this is a federally regulated financial institution, the licence was being continued. The licence was not renewed after December 31, 1984. And obviously the concerns as the investigation by the federal regulators was going on, and as we got more and more involved into it, the concerns increased.

We certainly had the position that there had been the guarantee set out. We wanted to, once that licence was not renewed, to make sure that we did have as many facts as we could get. But the federal regulator had continued the licence through all of this period of time, and certainly we can get into the debate as to where the province stands under the federal regulating system in a situation such as this. But we, to an extent, were relying on that as well.

Hon. Mr. Blakeney: Mr. Minister, the federal government continued the licence because you gave the letter—your predecessor gave the letter of November 21, and that is why the federal government continued the licence. And you can hardly then say that you were depending upon the federal government and the fact that they were continuing the licence as some evidence that the company was in reasonable shape.

On November 21 the Pioneer delegation travelled to Ottawa, and a letter was delivered to me (that's to Will Klein), by hand by Mr. Dedman at the Regina airport at noon of November 21.

Signed by the Minister of Finance.

Please be advised that the Government of Saskatchewan will guarantee the \$27.5 million preferred share offering of Canadian Pioneer Management Ltd. Details of the guarantee are now

being reviewed by officials. You may expect the guarantee to be ready in time to allow your new equity to be placed prior to December 31, 1984. That December 31, 1984 date is one set by the federal government saying you have to increase your equity by that date or you don't get your licence.

This letter obviously gave us the comfort that we needed because we were then certain that everything was in hand and we could proceed. On November 22 (that's the next day), Pioneer officials met the Department of Insurance at Ottawa on the matter of property write-down. And the letter was given so that the federal government regulator would not withdraw the licence.

There is no justification for the provincial government saying that the non-withdrawal of the licence represented any endorsement by the federal regulator of the ability of Pioneer Trust to meet its obligations. The regulator was acting on the basis of your commitment to put up \$27.5 million by way of guarantee — and a share guarantee at that.

And the significance of the preferred share, as opposed to any type of debt security guarantee, is that it would increase the trust company's equity. And we all know that, and I just make that point — a highly unusual thing, by the way, a guarantee of preferred shares.

Mr. Minister, I ask you again: how can you justify the department's issuing of implicit undertakings to the Bank of Montreal and very, very explicit undertakings in the minister's letter of November 21st, when you did not have any information or sufficient information about the financial standing of Pioneer Trust, in the light of the fact that when Mr. Wagar was appointed some time in January, an examination of about three weeks on his part revealed that, at least in his opinion, the trust company was unsalvageable?

Could you not have addressed the problem earlier when you knew about it in November and saved a great deal of taxpayers' money? Could you not have done in November what was done in January? Could you not have made a decision earlier which would have saved tens of millions of dollars? How do you justify not acting until firm, solid commitments had been given to the federal authorities? Press releases had been issued which, at least Mr. Klein says, were approved by the Department of Finance. How can you justify that type of lengthy delay?

Hon. Mr. Lane: Well the original point you made about whether the . . . WE should keep in mind that the licence was in fact continued until November of 1984. I've answered the question before. I say this to the hon. member that if the Government of Saskatchewan between . . . The Department of Finance in particular, between November of it becoming involved and the date of the guarantee, if the Department of Finance had have said, no, we are not giving any financial commitment or taking any action until we have gone through the books — and remember the federal regulator was going on — the company would have collapsed when the Bank of

Montreal took away its cheque-cashing rights. If the government had have done nothing, the company would have in November, the end of November, would have collapsed.

One can argue — and obviously very much part of the debate — whether the government should have moved to protect a Saskatchewan headquarter company; you're arguing, no. The government made a decision based on, certainly less than complete information, but it was forced to make that decision by the move, the intervening move, by the bank, which was going to take away its cheque-cashing privileges.

As the investigation continued — and let me state that the investigation as well by the federal authority — there was more and more information coming into play, which certainly when Mr. Wagar became involved he had access to more information than the regulators of the provincial government during the intervening period of time.

You asked the question: should — and I think this is the fundamental question — should the Government of Saskatchewan have acted in November of 1984, with less than . . . not having all of the information to issue the guarantee, the question is: should the province of Saskatchewan have acted in those circumstances to move to protect a Saskatchewan-headquartered financial institution? I suggest to you that the province had to make some effort to protect a Saskatchewan-headquartered financial institution in hopes that it could become viable and that it could be maintained.

We have some disagreement with this. Obviously, if the ideal situation is if you can make your decision with all of the available facts — if that option had have been open to the government — I think we all would have been much more comfortable. But unfortunately with the intervention of the bank taking away the cheque-cashing rights, that option was no longer there.

So the final question, the point you make . . . Let's assume that the province had done nothing and that Pioneer Trust had collapsed in November of 1984, what would have been the obligation of the province to pay the unsecured depositors — if the province had taken no action?

I suggest that any government would probably make some response, given that it was a Saskatchewan-headquartered corporation, to give some assistance — one can debate how much — to uninsured depositors, particularly when we look at who those uninsured depositors were. And we are not dealing with large, independently wealthy organizations in many cases. We were dealing with, in many cases, ordinary Saskatchewan citizens and Saskatchewan institutions.

I suggest to the hon. member, in fairness, that if the province had done nothing in November and the corporation had collapsed in November, that there still would have been some obligation — moral as opposed to legal, I suppose — to give some assistance to the uninsured depositors.

So we can debate how much we should have given;

whether we should have given any. I suppose that the government made the decision that we should make a payment to the uninsured depositors.

Hon. Mr. Blakeney: Well, Mr. Chairman, and Mr. Minister, you can make those arguments, but the hard facts are that your department — your companion Department of Consumer and corporate Affairs — was aware of trouble in July of 1983. In October of 1984 the Premier was made aware of difficulties. He was aware in 1983 but aware again of difficulties in 1984. This corporation was one which was very closely associated . . . the leading actors were very closely associated with the political party which you represent.

(1630)

And notwithstanding some early warning signals, notwithstanding the fact that there would naturally be some questions asked when persons as close to the political party which you represent solicit government assistance, you nevertheless — your predecessor, but your government nevertheless — gave a guarantee of \$27 million of taxpayers' money in respect of a company whose affairs you did not know about except to know that they were in deep trouble. Except to know that the bank was threatening not to cash their cheques; except to know that you had warnings at least a year in advance that there was trouble.

You knew all that and you still issued a guarantee of \$27.5 million, a guarantee which eventually — again if one can accept the word of Mr. Klein — for political rather than economic reasons, you felt it necessary to withdraw.

That last comment is based upon a statement attributed to Mr. Andrew. This is Andrew to Klein:

It was six of one and half a dozen of another economically, but politically it just couldn't fly, and the Premier had made the final decision not to honour the guarantee.

I ask you, Mr. Minister, do you not believe that your government has some obligation to act with more circumspection, with more care in those circumstances where you had knowledge of difficulty, where there was some suggestion that there might be political camaraderie involved? None the less, you went out and gave a guarantee of \$27.5 million which has cost taxpayers in this province a large amount of money, with no facts — with no facts. All you knew was that there was trouble and you didn't have enough facts to know how deep the trouble was.

Now surely, Mr. Minister, that's irresponsible conduct on the part of the a minister of Finance and a department of Finance, and I would want to know whether or not this sort of thing is going to be continued by the Department of Finance, or have we seen the last of these episodes of strewing about commitments and guarantees on the basis of no information, but apparently camaraderie and old friendships?

Hon. Mr. Lane: Well, the allegations the hon. member makes don't quite jibe with the facts. I suggest to the hon.

member, one, he conveniently fails to recognize that Pioneer Trust was a federally regulated company; that even though there may have been, and there was street talk that Pioneer was having difficulties, that was a matter for federal regulation. And through the course of this until that November, that federal licence was continued.

Given the fact that the department became involved with indications from the federal regulator of Pioneer that it was then in serious trouble, certainly we made the effort, as the provincial government, to maintain the viability of a provincially headquartered financial institution. We can accept the criticism for endeavouring to do that. That certainly the efforts of the government to investigate could not be completed in light of the intervening act of the cancelling of the cheque cashing capabilities, which caused the government to act to try and maintain the corporation.

I do suggest, in fairness to the hon. member, that if the province had done nothing, and it was not a provincially regulated trust company, if the province had done nothing, that there still would have been an obligation on a government to assist Saskatchewan citizens who were uninsured in light of the collapse of Pioneer. I believe that obligation would have been there.

And I don't for a minute believe that the obligation would have been lessened if it had happened in November as opposed to January, February — that there still would have been a significant financial obligation. Admittedly, not legal, but they were Saskatchewan citizens who were being affected, in many cases seriously hurt by the collapse. So I believe that that action would have had to been taken in any event.

Hon. Mr. Blakeney: Mr. Minister, you're still in effect asserting that you didn't have time to investigate fully, that these events came on suddenly and you didn't have time to investigate fully.

But I want to remind you, Mr. Minister, that your companion department had indications of trouble in July of 1983, that there were a number of meetings between the officials of Pioneer Trust and ministers of the Crown during early 1984. Here in July of 1984 the **Hon. Mr. Berntson** meeting with Will Klein, this in July, during which the problems of the Pioneer group of companies were discussed.

And if there were areas of mutual assistance which could be provided through the government, the government would be receptive to talking with Pioneer. I don't know what the mutual assistance was. I know what assistance the government was expected to provide to Pioneer. I'm not at all sure what assistance Will Klein and others were expected to provide to the Government of Saskatchewan by way of mutual assistance, but I can speculate.

And then in September of 1984 we continued to dialogue on a regular basis, and on and on it goes — and on and on it goes. And there were meetings between Mr. Klein and minister after minister, some with two ministers there, some with three ministers there . . .

An Hon. Member: In the dark of night.

Hon. Mr. Blakeney: . . . and, yes, apparently not in the business offices of either the Government of Saskatchewan or the Pioneer group of companies.

And then we have this plea by the Department of Finance that they didn't know that there was trouble, and that really they didn't have time to look into this matter before they distributed, as I say, commitments to the Bank of Montreal and further commitments to the federal government of a \$27.5 million guarantee.

Well, Mr. Minister, you can say that if the guarantee hadn't been given, such and such would have happened. What I don't think you can say is that any prudent measures were taken to ascertain the true facts with respect to Pioneer Trust, of which you or your colleagues had some sufficient notice prior to the time when this guarantee was issued. And I don't think there's any doubt about that. You just gave it without due consideration — carelessly and, I say, frivolously — and I think the public are paying, and paying heavily, for that type of conduct on the part of the Department of Finance.

Hon. Mr. Lane: Well again I have to remind the hon. member that the federal regulator did maintain the licence through the course of that. There were, I gather, some differences between Pioneer and the federal regulator as to valuation of assets and that sort of thing, and I would think that in the review of any federally regulated financial institution — I think the Estey inquiry is showing this — that there may be debates between the managers and the federal regulator as to the valuation of assets.

But we did not have any indication from the federal regulator that this corporation was in serious financial trouble, that it was going down the tubes, until the seriousness obviously was brought to the attention approximately November of 1985.

There's a big difference between a financial institution having difficulties if the parties are and the federal regulator looks upon it as they may be short term; they may be temporary; they may be able to be rectified by the management of the corporation.

So to argue that because they may be some difficulties, that Draconian action necessarily need be taken immediately, could have the opposite effect. It could very much have created a run on the corporation, I suggest to the hon. member, and I believe that's why there's the difficult position the federal regulator has — the reticence to go out and cause a run and a shut-down or a closure of a financial institution.

So I think it fair to say that with a federally regulated financial institution, during the course of that that the licence was in fact maintained by the federal regulator. Certainly if there had not been the intervening act of the bank indicating it would take away the cheque cashing, there would have been ample time for a full investigation. One, I freely admit, cannot investigate a financial institution, I suggest, of any reasonable size in a very short period of time of a couple of weeks.

But we freely admit that we made the decision as a government to try and do what we could to maintain the existence of a Saskatchewan headquartered financial institution. I don't think it was a good day for the province when a Saskatchewan headquartered financial institution shut its doors, and I believe we had some obligation. And I believe that if we had taken no action and let the company go down earlier, we still would have had an obligation as a reasonable government to assist the uninsured depositors, given the particular nature of a locally headquartered financial institution. So we can debate whether we should have done that. I believe that that obligation would have been there for any government.

Do we wish that we would have had more time? Certainly, it would have been preferable to have more time to do the full investigation, but given the intervention which would have shut down the corporation, certainly some action had to be maintained to try and keep the company going.

Hon. Mr. Blakeney: Mr. Chairman, and Mr. Minister, I'd like to turn to your estimates and to turn to pages 10 and 11, the Consolidated Fund estimates.

Mr. Minister, I have a copy of the estimates for last year and I note that there are some substantial differences in the structure of the estimates. And I ask you, in general terms: if your budget had been structured on the same basis as the budget of your predecessor, do you have an estimate of how much the expenditure estimates would be increased and how much the revenue estimates would be decreased?

You have used a large number of devices in this budget which weren't used in other budgets, and I'm just looking for a horseback guess. If you'd taken all of these figures and calculated the, put them in the book the same way as your predecessor had, how much would the estimates of expenditure be increased and the estimates of revenue be decreased?

(1645)

Hon. Mr. Lane: There's no change in the way of accounting. I'm advised that, for example, the ag equity corporation was the same as done with the previous administration with regard to PAPCO (Prince Albert Pulp Company), so there's no change. The only salient change would be the question of the property management corporation. And the property management corporation would have meant a differential of roughly \$141 million.

Hon. Mr. Blakeney: Thank you, Mr. Minister. Let's look at a few of them one by one. Under the heading of . . . I'll come back to provincial taxes. Receipts from government enterprises and other funds, Saskatchewan Liquor Board, \$240 million. Could you tell me what will be the source of these revenues? From where will the Liquor Board get \$240 million to pay you? And prior to answering that question, would you indicate to me how much you received from the liquor board in the year ended March 31, 1986? You had estimated 149 million.

Hon. Mr. Lane: The transfer in 1985-86, the revised

estimate was 84 million and the accumulated funds in the liquor board — again the past practice is to transfer to that from the Consolidated Fund from time to time and we elected to do that — that transfer estimated for '86-87 is the accumulated funds plus the expected revenues this year.

Hon. Mr. Blakeney: Mr. Minister, you know and I know that there has never been a transfer of more than \$110 million from the Liquor Board to the Consolidated Fund in any year in the history of this province . . . (inaudible interjection) . . . It's not right?

Now I'm talking about a transfer — '82-83 — they may be the estimates as opposed to the facts. But the largest I have any note of is \$110,426,000 in '82-83. So what, in fact, you did is decide that since you're going to have a whopping deficit this year, and since your estimate of the deficit didn't mean anything anyway, your estimate last year, as I recall it, '85-86 deficit was estimated at \$291 million, and since you are going to be hundreds of millions out, and you now tell us it's 595 million or thereabouts, you decided you would roll over a little money into this year and not bother taking out the money you had budgeted to take out at 149 million and you decided to leave 65 million in there and roll it over this year.

Mr. Minister, I ask you: with respect to the deficit for the year 1985-86 which was estimated at 595 million in the budget speech, does that estimate still stand?

Hon. Mr. Lane: To respond to the latter: in 1981-82, the transfer to the Consolidated Fund and the Liquor Board, some 60 per cent of the retained earnings were transferred; in 1985-86, some 74 per cent. so there have been considerably lower transfers from time to time.

I'm sorry, I didn't hear the second question. I apologize to the member.

Hon. Mr. Blakeney: The question was: with respect to your overall deficit, you estimates . . . the '85-86 budget estimated the deficit at 291 million. In your budget speech, as I recall it, you indicated that that figure would be revised upward to 595 million. What I'm asking is: does that \$595 million estimate still stand?

Hon. Mr. Lane: I'm advised that it may be in the range of \$10 million below that.

Hon. Mr. Blakeney: And the 595 was arrived at by only drawing down 84 million from the Liquor Board and leaving the other 65 in so that it could make your this year's budget look a little less horrendous. Is that a fair statement?

Hon. Mr. Lane: No, I thought this year's budget looked pretty good, and I gather the public felt the same way.

Hon. Mr. Blakeney: That's right. Yes, I know. I think the public will have observed your figures of '85-86 of 291 million, and in fact likely to be \$591 million, thereabouts — \$300 million off. And I think that 1986-87, that if . . . (inaudible interjection) . . . oh, if the money going to the farmers was even in here, Mr. Member. But

all that is supposedly loan money, at least the production loans, and will not be found as an expenditure. That we can come to in a minute.

So that I know, Mr. Minister, you are saying that you are going to drawn down all of the money, the accumulated or retained earnings, which will be about . . . let's see, the retained earnings might be of the order of 150 million, all in — a little less than that, perhaps. Are you going to draw down all of the retained earnings and virtually all of the earnings so that the retained earnings of the Liquor Board at the end of this year will be at a very low figure?

Hon. Mr. Lane: No, we expect the . . . traditionally the Liquor Board requires in the range of 25 to \$30 million to operate. We expect retained earnings to be approximately \$34 million, so we're not drawing it all down. And secondly, we are leaving a cushion above and beyond what the Liquor Board has traditionally used.

With regard to your other point about the response with regard to the farmers, I suggest to the hon. member that the interest charges, the loss provisions, and all of those things are very much included, in addition to other activities.

Hon. Mr. Blakeney: Mr. Chairman, and Mr. Minister, could you take me through the transactions which will produce agricultural land revenue of \$124,419,000? I want to refer you to page 6; and then I want to refer you to page 114; and then I want to refer you to page 127. Is it not true, Mr. Minister, that what you propose to do is to go to Pemberton Houston Willoughby, or some bond company, and sell \$100 million worth of Saskatchewan bonds, and that you then intend to buy shares of this Saskatchewan Agricultural and Commercial Equity Corporation. And then you intend to use the money, the proceeds from the shares, to buy some of the land owned by the Heritage Fund, and assert that the \$100 million is income and mark it up as revenue for the year that we are now in?

Is it not true, therefore, that not a dollar, aside from the normal land sales which I will assume to be of the order of 24 million, the additional 100 million will come not a dollar from anybody outside the Government of Saskatchewan? It is moving money around within the Government of Saskatchewan, money which you probably have borrowed from the bankers and the bond dealers, and you will essentially be attempting to convert a loan which is going to have to be paid over a long period of time; into revenue which you will discern is revenue for this year, and your alleged asset is the shares in this agricultural corporation. Is it not true that that's what you're up to?

Hon. Mr. Lane: No. The agricultural equity and commercial equity corporation is envisaged as I indicated. That is one asset. We are evaluating other assets — perhaps the Ipsco shares, for example, that the government owns. We would envisage either the bond is an option, but the issuing of equities to Saskatchewan people to be able to invest in that type of financial institution, investment institution.

Those decisions has not been made. There is a very

intense evaluation going. We envisage that the province can utilize the equivalent of what was the Alberta energy corporation, but we are using different assets, obviously. We look upon that vehicle as one vehicle to encourage economic development, one vehicle which perhaps will "joint venture" with other Saskatchewan corporations to invest in agricultural enterprises or commercial enterprises.

So it's not, as you say, just a transfer of funds. We are looking at utilizing those assets — we freely recognize that — and begin to put them to other uses in hopes of generating more economic activity.

Hon. Mr. Blakeney: Well, I'll come back to a very simple question. You say, Mr. Minister, that you're going to get 124 million from agricultural land revenue, and if I look over on another page it will say land sales. If I look on page 114, it say land sales, \$122 million.

Shortly put, you say you're going to sell land for 122 million. Can you tell me who's going to buy it?

Hon. Mr. Lane: Certainly. The agricultural equity corporation will purchase that land, and as I've indicated that ultimately, as we see it, perhaps the people of Saskatchewan will subsequently then buy the shares in the agriculture and commercial equity corporation.

Mr. Chairman: Order.

The Assembly recessed until 7 p.m.