

The Assembly met at 10 a.m.

Prayers

ORAL QUESTIONS

Terms of Agreement for Sale of PAPCO

Hon. Mr. Blakeney: — Mr. Speaker, my question is to the Minister of Advanced Education, the minister responsible for the sweetheart deal with Weyerhaeuser. Mr. Minister, despite your government's obvious embarrassment at the terms of the deal by which you will turn over the \$250 million of assets to Weyerhaeuser, despite your unwillingness to table the documents which you have signed, the facts, at least in part, are available.

Weyerhaeuser gets \$248 million of assets with no down payment — not a dime. Weyerhaeuser gets to deduct any operating losses it may sustain over the first three years from that \$248 million. Weyerhaeuser's deal provides that it will be allowed to make a substantial profit over 30 years and pay not a dime.

My question to you, Mr. Minister, is this. You offered this deal to Weyerhaeuser — nothing down, nothing over 30 years, and nothing at the end of the 30 years. When are you going to offer similar terms to Saskatchewan business people?

Hon. Mr. McLeod: — Mr. Speaker, the member comes with the same arguments as yesterday, and I'm sure will continue to. He continues to use the word, and I notice today in his using of his term "sweetheart deal," he can hardly do it with a straight face any more. He knows that it's a good deal; his philosophy is in his way.

But in terms of the interest rate that applies to the debenture that he refers to, I can recall, Mr. Speaker, and I'm sure you can, and the people of Saskatchewan can recall, when interest rates were way up there, way up there in the 17 and 18 and 19 per cent range. And they offered — that member, the former premier — offered 9 and five-eighths per cent interest to a developer from Toronto to develop a major shopping centre in Regina. And what did he offer to the small-business people of Saskatchewan? What did he ever offer to the small-business people in Saskatchewan in terms of interest rate relief? Nothing, Mr. Speaker.

Hon. Mr. Blakeney: — Supplementary, Mr. Speaker. Would the minister address the question I asked? When are you going to give a similar deal, or offer a similar deal, to Saskatchewan business people? Do you intend to make an offer, or do you intend to offer them mere arguments in diversion and not offer them the deal you offered to Weyerhaeuser?

Hon. Mr. McLeod: — Mr. Speaker, the member does not want to acknowledge that there is 8 per cent money available to small business in Saskatchewan.

Some Hon. Members: Hear, hear!

Hon. Mr. McLeod: — There never was 8 per cent interest

under their government. There is 8 per cent money available to small business in Saskatchewan under this Progressive Conservative government — interest rate relief which they never ever received from that government. There's no question that that's true, and for him to even raise it is quite incredible, in my view.

But the deal that he refers to with Weyerhaeuser — once again a reminder, Mr. Speaker, and a reminder to the Leader of the Opposition: \$91,000 is what that pulp-mill has been losing — \$91,000 a day — if we just take it to that level. And if that isn't hemorrhaging money, Mr. Speaker, what is? That is an absolute . . .

We can go through the losses, Mr. Speaker. Let's just go through the losses. In the year 1981 . . .

Mr. Speaker: — Order, please. I'm going to ask members on both sides of the House to control the hollering in the Chamber. We cannot be heard this morning.

Hon. Mr. Blakeney: — Mr. Speaker, new question. I ask a new question to the minister in charge of the sweetheart deal with Weyerhaeuser, and this is a very real question which I would like your answer to. Will you give us a commitment that no agreement will be signed which does not contain a firm commitment to build the paper-mill — a firm commitment — and that no assets will be transferred until the paper-mill is built? Will you give us that commitment?

Hon. Mr. McLeod: — The member knows that that commitment has already been given. The member knows that that is the case, that there will be a paper-mill before any transaction is executed. And yes, there will be a paper-mill there, and there will be a firm commitment for a paper-mill before any of the agreements are executed.

Hon. Mr. Blakeney: — Supplementary, Mr. Speaker. Mr. Minister, does the memorandum of understanding signed in March, of which we have schedule B, contain that commitment? And if so, will you table that part of the agreement which contains the commitment? And if not, why not?

Hon. Mr. McLeod: — Mr. Speaker, I have said that I would . . . We tabled the one schedule at which all of the . . . that portion where the agreement has largely been reached. I have said that I will table the total agreement upon closing; the total agreement which, I give the member the undertaking, will include a commitment to build a paper-mill. And yes, Mr. Speaker, the paper-mill will be . . . the construction will be started immediately — immediately — upon closing of the deal.

Mr. Speaker, as his former minister, Mr. Cowley said, as I say, and as he said when he was in government, this is not a negotiating forum, nor can it ever be a negotiating forum. But what I have done, which they never did, is said, we will give the deal . . . we will make the deal public after closing, as soon as all negotiations are complete and as all signatures are . . . and as soon as all signatures are applied to it.

Free Trade Policy with the United States

Mr. Shillington: — My question is to the Acting Minister of Economic Trade and Development. Your government's free trade policy is proving to be singularly unsuccessful. As is now well known, U.S. authorities have made a preliminary finding against Canada's unsuccessful interest with respect to the soft lumber exports to the U.S., and that has major implications for Saskatchewan, which exports \$16.5 million worth of softwood lumber.

My question is this: in light of that American decision, what action have you taken? And will you admit that your free trade policy with the U.S. is not working, that instead we need a policy that will protect Saskatchewan and Canadian jobs instead of trading them off?

Hon. Mr. Devine: — Mr. Speaker, we have been through this argument several times with the Leader of the Opposition. When you're looking at the discussions we're having with the United States, it's obviously in our best interests to protect the jobs we have here.

What I'm concerned about is changing the U.S. attitude because they have been stopping us from exporting into the United States. They are now bringing action against the potash industry, the uranium industry, pulp and paper, shakes and shingles — a whole combination of industries, and the opposition says that they're not for trade, they're for protectionism. Well it's the very role of protectionism that is causing us to lose our jobs here in Canada.

I'm not so sure who wrote the question for the hon. member, but I don't think he believes in protectionism. If he does believe in protectionism, and that's what his question said, that I believe he should make it very clear, because I don't. I would rather see us trade more with the United States than have them cutting us off at the border.

So it's my intention to make sure that we take a strong stand in fighting with the Americans with respect to those markets, and I will continue to do that.

Mr. Shillington: — New question. The second paragraph of today's article in the Globe and Mail reads as follows:

The preliminary ruling by the quasi-judicial government trade agency was a victory for the U.S. coalition for fair lumber imports.

Will the Premier confirm that that is the group of which Weyerhaeuser is a member?

Hon. Mr. Devine: — Mr. Chairman, I don't know whether they're a member of that group or not, but I know, Mr. Speaker . . .

An Hon. Member: — They are not a member.

Hon. Mr. Devine: — Well I'm advised that they're not a member, all right. But we have people here that are selling into the United States all the time, and you're trying to saying that we don't have any business being in the United States. We have industries here that invest in pulp and paper, and in livestock, and in oil and gas, and

uranium, all over the place here in Saskatchewan, and they have access to the U.S. market. And now they're cutting us off, and you're asking, well, are they a member of the group? Do you want no one here to invest or export into the United States? What are you talking about?

I mean, I can take an article here. This is the Manitoba pulp company; it's in Western Report, right here. And here's a pulp company, the pulp company that the NDP bought — Ed Schreyer bought — that has been losing money and losing money and the Manitoba taxpayers are throwing up their hands saying, is this ever awful.

What have you got in Saskatchewan? The same thing. The Leader of the Opposition raises it today, says \$91,000 a day, and they want to look . . .

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

Mr. Shillington: — New question. I might say by way of background, the public of Manitoba recently re-elected that government. You might wish you could do as well.

Some Hon. Members: Hear, hear!

Mr. Shillington: — Will the Premier confirm that the practical result of the free trade negotiations, which you and the Prime Minister have pursued with such vigour, has been to frighten, alarm and stir up U.S. protection interests so that this province and this country have had more difficulty trading in the U.S. in the last six months than we've had at any time in the recent decades?

Hon. Mr. Devine: — Mr. Chairman, the hon. member knows that protectionism has been building in the United States. His colleague, the Premier of Manitoba — Premier Howard Pawley — joined with me two years ago in signing a communiqué saying that protectionism in the United States is growing and somebody better be doing something about it to make sure that we will be into negotiations so that we can talk with them.

I was reading this morning, as a matter of fact, the Premier of Manitoba put out his views with respect to the negotiations with the United States, and he is happy to see the negotiations. And the NDP here are saying no, don't talk; don't talk with them.

Well, Mr. Speaker, they don't want to talk. They also just want to squeal. They have a \$91,000 a day loser that they bought. They don't want to fix it. They don't want a new paper project. They just want to stick their heads in the sand. Well, they can stick their head in the sand if they like while, Mr. Chairman, we will negotiate, and we're trying to protect and we will protect the jobs and the economic activity here in Saskatchewan.

We built this province on trading — trading agriculture commodities and resources — and we will continue to do so, Mr. Speaker, as long as we have the kind of government we have in Ottawa and the kind of government we have here, that can talk to other governments and not just cry in the dark.

Proposed Tariffs on Potash Exports to U.S.

Mr. Koskie: — Thank you, Mr. Speaker. I want to address a question to any minister that's prepared to answer, and there is some reluctance — but anybody who'll speak on behalf of the government's free trade policies.

And, Mr. Premier, your free trade government has repeatedly endorsed free trade positions of the Mulroney government and the so-called free trade positions of the Reagan administration.

We note today that, in view of those facts, that Saskatchewan potash miners, some 400, were laid off for an indefinite period. In view of the fact that the Reagan administration has decided to intervene directly, aggressively against Saskatchewan potash exports to the U.S. on direct orders from the U.S. commerce secretary, a Reagan appointee, my question to you is: what are you doing in respect to those facts? What actions have you taken in order to protect the jobs of the people of Saskatchewan in respect to the vicious action being taken by the Reagan administration?

Hon. Mr. Devine: — Mr. Chairman, I have been raising the concerns, and the Premiers have, with respect to protectionism in the United States.

The hon. member now asks, have I heard of it, and what are we doing? I mean, all he can do now is cry wolf because for the last three years we have been working with our colleagues, other premiers. We have been putting together the cases. We have been making the negotiations. We have been taking the cases to Washington, and taking the cases to the government, taking the case to Ottawa, encouraging the trade negotiations to protect the very jobs that he's talking about here. And he stands up and says, oh, did you know there's protectionism in the United States? And he finally woke up after four years. It's been going on for years.

Well, Mr. Speaker, I can only say that the cases we prepared in Washington, the cases we prepared in Ottawa, the case we prepared with the governors and all the information . . . I can go back . . . At least the hon. member can talk to the unions in British Columbia. They're in favour of trade negotiations, want to see a free trade agreement. They want to see that.

The Leader of the Opposition stood up yesterday and he said, I want to see free trade in potash. Well he should tell the member behind him. The Leader of the Opposition stood up in my estimates and says, I want to see free trade in potash. That's what he said. Now the member behind him sitting up there, from the Quill Lakes, saying, oh my gosh, we got to have protectionism. The member from Regina Centre says we have to have protectionism in potash.

Well you guys better get it together. The Leader of the Opposition says, I want free trade in potash, and his members say, we want protectionism in potash. They don't know if they're coming or going, whether they're in California or Saskatchewan. They don't know whether to buy a pulp-mill or to sell a pulp-mill. And frankly, well, it's not much wonder they're \$400,000 in debt.

Mr. Koskie: — Well I don't know why the Premier is ranting and raving and not addressing the question. I mean, I don't know why he continues to rant and rave and not answer the question.

Mr. Premier, your free trade policy lies in tatters around you, in your confusion, and in disarray. Every step you have taken has backfired. And I ask you a simple question: what action has your government taken to date to tell the U.S. administration that their aggressive intervention against Saskatchewan interests in potash is unacceptable? What specific actions have you taken? Just a simple action of detailing to the people and the workers of the potash corporation what you, in fact, have done. Because every time you talk about free trade we seem to be getting more protectionism on the part of the U.S. — ever since you raised this.

And your inability to negotiate. Tell us what you have done. What actions have you taken in light of this very severe attack against the potash industry of Saskatchewan?

Hon. Mr. Devine: — Mr. Chairman, again I have to say, the opposition and the member from Quills has been encouraging us to market potash around the world, encouraging us to be aggressive in sales, and he's been after the minister responsible for potash to do that. And they were after me when I was a minister. And we have been aggressive, Mr. Chairman. We have been marketing into United States, setting records, marketing into the rest of the world. And then when the rest of the world gets upset and they're going to have some protectionism, then he stands up and says what have you been doing in potash sales? Well we've been doing just what he's been asking us to do. We've been extremely aggressive all over the world.

Then when we have some trouble with respect to protectionism, the Leader of the Opposition stands up and says, I want free trade in potash. That's what he said right here in the legislature. The Leader of the Opposition, and he said, I believe in free trade in these commodities here in Saskatchewan like potash, like uranium. The leader of the B.C. union involving with pulp and paper says, I want a free trade arrangement with pulp and paper into the United States. And what do the members opposite say? The member from Regina Centre and the Quill Lakes, first they ask us what we're doing when we're aggressively marketing it. Then they say, we want protectionism in potash. They want protectionism in pulp and paper. They want protectionism in union. They have no more idea what they're doing. First they don't want to market; then they want to market. Then if you're successful and you're marketing, then they say, well I don't think you've been doing a good job. Then if you have negotiations on trade they say, well I like free trade, but the other guy stands up and says, I don't like free trade . . .

Mr. Speaker: — Order, please.

Mr. Koskie: — A further supplement, this is the second time . . . I don't know why the Premier is ranting and raving, because the Speaker has had to sit you down

twice today. I don't know why you can't just answer a question, a very serious question. Is there something wrong with you? I don't know.

But I'll try another question, a supplement.

Mr. Speaker: — Order, please. Order. I'm going to ask the members on both sides of the House to come to order. And I would ask the member from Quill Lakes to get on with the question if you have a question, otherwise, we'll take the next member.

Mr. Koskie: — I have a question. I want to proceed with it. There's a lot of noise from the other side, Mr. Speaker . . .

Mr. Speaker: — Order, please. Order, please! I have called for order on both sides of the House. There was a lot of noise from both sides of the House, and I'm asking you to get on with the question and not to be making statements about the operation of the House.

Mr. Koskie: — Thank you, Mr. Speaker, very much for your co-operation in settling down the House.

My supplement to the Premier is: have you received the assurances of the Mulroney government that it will take swift action to resist the unacceptable American government move against Saskatchewan interests and, in particular, the potash? Have you, in fact, contacted the Mulroney — your friend Brian — and can you indicate what steps your friend Brian will in fact take?

Hon. Mr. Devine: — Mr. Speaker, as you know, the hon. member asked what actions I've taken and what actions will I take. I have taken specific actions with respect to negotiations in Washington. I have met with governors in various states in the United States — western governors, mid-western governors, and so forth. I have made representations with respect to the whole negotiating package that's going on in Ottawa.

I will, Mr. Speaker, be meeting with the Prime Minister on Wednesday and Thursday of next week to be discussing the whole trade situation in the United States and Canada. I will be talking about the uranium developments, about the potash developments, pulp and paper, the pork industry, the entire bailiwick. I will have first-hand discussions.

My cabinet colleagues are meeting with the Prime Minister and his cabinet colleagues right here in Saskatchewan, in Saskatoon, on Wednesday and Thursday. We will be completely reviewing the trade developments to date and talking about the negotiations and what kind of strategy to use.

And as I pointed to the Leader of the Opposition recently, I recommended, and the western premiers accepted, the strategy that we go into the United States with the farm Bill on the table, with the deficiency payment in place, and the same sorts of ammunition has to be available in all industries as it is in agriculture when we negotiate with the United States.

Some Hon. Members: Hear, hear!

Cease Trading Order for Farmsource Management

Mr. Petersen: — Thank you, Mr. Speaker. Thank you very much. I direct my question to the Minister of Justice, and my question has to deal with a situation that some of my constituents have brought to my attention. It revolves around a company called Farmsource Management, Mr. Speaker, and a cease trading order that was issued some time past.

Could the Minister of Justice give me an update as to where this company is at and what proceedings are being taken, so that I can inform my constituents?

Hon. Mr. Dutchak: — Well I want to advise the member that I don't have all of the specifics with me. However, the cease trading order was issued by the securities commission early in 1984. It was subsequently investigated by the securities commission. Later the file was forwarded to the RCMP, and presently there is an RCMP investigation involving the matter. I prefer to not comment further on the details since it is under investigation.

Health Hazard from Agricultural Chemical Spraying

Mr. Engel: — I have a question to the Minister of Agriculture and to the Premier. Despite your lack of concern, Mr. Minister, about the grasshopper infestation, it is a grave and urgent problem for thousands of farmers. The question I have this morning — and farmers have been approaching me — they've been . . . Could I have the attention . . .

The farmers are quite concerned about the effects of chemicals on their bodies and reporting farmers in hospital and members of their families have been hospitalized. They know about protective measures, and they're wearing masks and the protective clothing that they require, but they're concerned about the health hazard and repeated sprayings and use of special chemicals, especially Furadan.

Mr. Minister, the Government of Alberta has responded and is spending up to \$200,000 to study the hazards of such chemicals by testing the masks and so on. My question to you, Mr. Minister: what action are we taking here in Saskatchewan? What is your government doing to ensure that we're going to survive through all this with all the spraying that's going on?

Hon. Mr. Devine: — Well, Mr. Speaker, I'll take notice of the question with respect to our environmental or health research that we're doing on the impact of spraying. It is a serious problem and I know there are risks. People in my family are actively involved in spraying for grasshoppers and have been using chemicals for some years. You have to be very careful, and I know of cases where people have become ill as a result. So I would be glad to see what our Departments of Health and/or Environment or whoever else might be doing research on the impacts of spraying and how to best cope with it and manage it.

Mr. Engel: — Thank you, Mr. Speaker. Mr. Minister, in Alberta they're using sophisticated equipment to sample the air inside a mask area and right next to the farmer's

skin, and regularly test the farmer's body fluids to find out what absorption levels there are through the skin and also through inhaling, and then they carefully study these effects on a number of farmers. I think this is a worthwhile study, especially in light of some fraudulent testing and information we've had about the federal government's testings in the past, and I think it's very, very important that this is done now because of the repeated use of chemicals that farmers are using.

Hon. Mr. Devine: — Mr. Speaker, if the hon. member believes it's a good piece of research, I've had very good co-operation from the Government of Alberta, and I suspect that that research will be shared with people on either side of the province of Alberta. So if he thinks it's good research, I will be in contact with him, and we can share the results of that research.

An Hon. Member: — Are we going to do something?

Hon. Mr. Devine: — Well, Mr. Speaker, if they're doing that particular research and I can get access to the research, I'm not so sure we should both be doing exactly the same research.

ORDERS OF THE DAY

GOVERNMENT ORDERS

COMMITTEE OF FINANCE

Consolidated Fund Budgetary Expenditure Executive Council Ordinary Expenditure — Vote 10

Item 1 (continued)

Mr. Lingenfelter: — Mr. Speaker, I had some questions on the Premier's staff that I had wanted to ask, and I wanted to start out by asking a question on an individual who I think has left your employment, Dave Tkachuk. I wonder if you could give the date that he left your employment and the conditions that he left under. Was he an order in council, as you would say, an ordinary order in council appointment; and was there an order in council note when he left, concluding his employment?

I just want to know the circumstances whereby he left the employment of your department and whether or not there was an order in council that severed his employment.

Hon. Mr. Devine: — Mr. Tkachuk resigned the end of January. He was hired with an OC, but obviously didn't have to have one if he offers his resignation, and it was accepted with regret. He received his salary as of the end of January, regular salary cheque and pay-out, SDOs (scheduled days off) and vacation credits, all accumulating as to the end of January 1986.

Mr. Lingenfelter: — Can you tell me whether there was any severance pay or any package put together for the individual on his leaving, and whether or not there's any commitment by the government or Executive Council to re-employment? Is he on a leave of absence, or is it a resignation, a formal resignation?

Hon. Mr. Devine: — Well there's no commitment to have him rehired. It was just a straight resignation. He had 17 days SDOs, and vacation days, eight, accumulated for 25 days, and that's it.

Hon. Mr. Blakeney: — Mr. Chairman, and Mr. Minister . . . Mr. Premier, in July of 1982, some time after you took office, you were quoted in the Regina Leader-Post as saying: "Deficit budgeting in Canada has to end if the country is to be competitive in world markets." Did you believe that then, do you believe that now, and what progress do you think is being made by your government in eliminating deficit budgeting in Canada?

Hon. Mr. Devine: — Mr. Speaker, I believed that then, and I believe it now, and I made those comments with respect to years and years and years of ongoing deficits at the federal level and the printing of money, which was obviously leading to some very serious economic situations for Canadians, nationally and internationally.

At the same time, when a country goes into some unique situations, whether it's wartime, or a province goes into some unique situations because of drought or disaster, if you will — and certainly what's happened in Saskatchewan has been described as disaster — I believe the public sector should respond.

I believe that you have been quoted, when you were minister, of saying that from time to time you would certainly live with a deficit under unique circumstances to help people and protect people. I feel the same. I would rather have a balanced budget or a surplus, but under conditions of where you're not getting money from potash or agriculture or the major sources of revenue, in fact it's costing you, then the only alternative, as you know, is to raise taxes a great deal or cut the fundamental core programs. And I don't really believe that it's the people's fault that we got grasshoppers and drought and low wheat prices and low potash prices — certainly not the people in Saskatchewan.

So in a situation where that happens, it hits, I'm quite prepared to defend them against high interest rates and provide them with some sort of comfort, to protect them from these abnormal economic or weather or international conditions.

Hon. Mr. Blakeney: — Mr. Chairman, and Mr. Premier, in 1982 this province had a very good crop. In 1982 this province had a very good crop. During those years, oil production was good — not tops, not as high as it has been at times, but good. Oil prices were exceptional. Indeed, they were record. They were record.

When, Mr. Premier, crops are good, oil production is good, oil prices are record high, you had deficits — not drought. There wasn't any drought in '82; there wasn't any drought in '83 . . . (inaudible interjection) . . . We're getting some assistance from the financial wizards from . . .

An Hon. Member: — You need all the help you can get . . . (inaudible) . . .

Hon. Mr. Blakeney: — Yes, I certainly do. I certainly do.

Everybody in Saskatchewan needs a great deal of help if we're going to be told that at no time during the last four years and some months of this government's administration has it been prudent to manage well, has it been prudent to balance our books. At every single month since this government has been in office, it has decided to run in the red.

And it's been decided to run in the red when crops are good. And it's decided to run in the red when crops are bad. It is decided to run in the red when oil production is high. It's decided to run in the red when oil prices are high. It's decided to run in the red when oil prices are low.

And it hasn't found one month in the last four years — and now it's three months, and it's going to be 4, 5, 6, who knows; it may be five years before this government decides to face the people — and in not one month has it found a time when it could balance its books.

Now this says something about our times, of course. But it says a great deal more about the economic management of the province when at no time could it find a time when it could balance its books. And it says a great deal more about the commitment of this government to the tough job of balancing their books.

They have had a commitment to spend money. They've had a commitment to raise money from ordinary people. But they haven't had a commitment to raise money from the resource companies. They haven't had a commitment to raise money from the resource companies. And as a result, all of us have much higher taxes today and in the future — today and in the future.

If I may quote the Premier: "Deficits are just a deferred tax that must be paid by future generations." Deficits are just a deferred tax that must be paid by future generations.

This budget which we have before us says that in this year we will collect in provincial taxes something less than \$1.5 billion. But in four years and two or three or four months, or whatever it is — four years and six or seven months, or five years, whatever it'll be when you face the public — you will have run up deficits of well over \$2 billion, and you have deferred taxes, more than one year's taxes. You will have spent at least one extra year's taxes over and above what you have gained.

This, Mr. Premier — and now I'm talking about budgetary revenue. You've spent much more with borrowed money, and I'm not now addressing that. But I am talking about the things that you have financed out of your ordinary revenues.

You have spent much, much more than you have taken in, and you have deferred taxes to be paid for by future generations. You have deferred those taxes, and more than one year's full taxes in just four years. For every dollar you took in, you spent a dollar and a quarter, and you did it year in and year out, and you're still doing it at a greater level than ever before — at a greater level than ever before.

I know that others will want to participate, and I invite them so to do. I'm just using the Premier's words to

describe his actions. Budget deficits will make us less competitive in world markets — and he's right. And every time we run up a deficit in this province, it means that we are going to have to pay higher taxes at some future time, and the Premier acknowledges that they're simply deferred taxes.

It means that every business in this province will have a harder time to compete five years hence than it would have had we not had deficit budgets. If we'd balanced our budgets, our business would be more competitive now, and more competitive five years from now. And it's still going on; we're making our business less competitive each day.

We talk about competition and wanting to be competitive, but what we're doing — what we're doing is making our industry less competitive; what we're doing is storing up for them taxes they have to pay. And the Premier agrees with that too. Deficits are just a deferred tax, and we have been deferring them at a greater rate than ever in the history of Saskatchewan, so that we know that future taxes are going to have to be going up and up.

(1045)

There is no alternative, as we're seeing at Ottawa now. The Premier says that Ottawa has run up massive deficits. They really have not been running up massive deficits except after about 1976, in my recollection — about 10 years now of massive deficits. Here in 1982, when you said this — "deficit budgeting in Canada has to end" — they had been running up massive deficits for about five or six years. And Mr. Premier, that's just about where we are in Saskatchewan now, running up massive deficits for about five or six years, five of your budgets — huge deficits for five budgets. And that, Mr. Premier, is the very thing which you were, I said quite properly, criticizing in 1982, pointing out the dangers in 1982, and four years later you have done exactly the same thing.

For four years you have run up massive deficits. And by and large these are not massive deficits because you have spent a great deal more money. You have spent some more money, but massive deficits because you have not gathered in money. You've not gathered in money from the resource companies. In the value of oil produced in this province we used to take in more than 40 cents on the dollar. We're now taking in something of the order of 25 cents on the dollar and leaving the other 15 cents with the resource companies who have made record profits — made record profits.

And those, Mr. Premier, are the reasons why we have these massive deficits. And those are the reasons why we will have to pay, our Saskatchewan people — what you described in 1982 as future generations — will have to pay the deficits which you properly characterized as deferred taxes.

Mr. Premier, this type of administration worries business people. When I talk to them they say, I know somebody's going to have to pay, and I know that some future government is going to have to gather in money. Just as the federal government is now raising taxes and lowering services, so future Saskatchewan governments are going

to have to raise taxes and lower services. I don't know when or where, but it will come. And those business men know, they know that when taxes are being raised, local people and local business men have to pay their share and thereby become less competitive, thereby have a harder job carrying on their business.

And certainly there's no question that ordinary people know that. Ordinary people, lawyers and others, know that when there are big deficits, when there are big deficits this year, sooner or later they're going to have to pay. The bond dealers have to be paid; the bankers have to be paid; and we have to maintain services, and that costs a lot of extra money. That's a course of action this government has decided upon after saying it wasn't going to do it.

We all heard the Minister of Finance in his first budget say, I will balance the budget over four years. And we saw him retreat from that each time. We saw him balance not one single budget, let alone balance over four years. Every single one was a deficit, and by and large each one was worse than the last. By and large each one was worse than the last, and this one is certainly the worst of all, certainly the worst of all.

And I say to you, Mr. Premier, you were on the right track in pointing out the dangers of deficit budgets. You were on the right track in pointing out the dangers of deficit budgets, but you have not followed your own advice. You have not followed your own advice, and you have led this government into massive deficits — deficits such as this province has never seen, never seen, and this province should not have to see, because our economy is one that is very volatile. We all know that.

And when we are faced, not only with maintaining services during a downturn, but also having to deal with the debts accumulated by improvident governments in the past, we have a difficult time, And that is the future you have given to Saskatchewan people. You have said to them, yes, I know that our economy is volatile, and there will be years when it will be tough to maintain services, but I, the Progressive Conservative Premier of this province from 1982 to 1986 or '87, whenever it is, I will say, you will have to bear, not only the costs of those services in tough times in the future, but also you'll have to bear the debts that I left with you, the cost of servicing those debts. That's what I bequeath to you; that is my legacy to you.

Now, Mr. Premier, that's what you have done. And I ask you, do you intend in the short months which are available to you to start balancing your books in some way, start trying to raise some money, or are you going to continue to increase the deficits which you have imposed upon these people. Do you intend to continue to operate your government at a very substantial loss every year, every month, every week, every day.

Hon. Mr. Devine: — Well, Mr. Chairman, I'll be glad to respond to the hon. member. Several things come to mind. I mean, day after day after day in the legislature they are asking for money. They ask for \$100 an acre payment. They ask for taxes to be given back. They continue to ask for more money for education, and they

ask for more money for health, and they ask for more hospitals to be built, and they ask for more equipment, and they ask for more nurses, and they ask for more roads. They ask for all these things. Then the Leader of the Opposition stands up and says, well you have yourself a deficit. Then when we try to make some significant moves to correct what we inherited, which was an economic disaster . . .

And let me give you a couple or three examples. I'll start with the so-called balanced budget in 1982. The balanced budget in 1982 was not balanced at all. And the Leader of the Opposition has been in government long enough to know how you play with numbers. They estimated revenues in '82 of \$600-some million in oil, and they knew very well that the oil revenues wouldn't be that high. Anybody could tell you. The actual were something like \$70 million less than that. And they have forecasted those. I mean, the Leader of the Opposition was in here the other day saying, well I'll tell you how you fix the books, he says. He says, you know, you can pay \$3 million for something, but you can put it on the books at 23 million, and he says, there's no net gain and there's no net loss, but it looks pretty good. Well he's been in that business for a long, long time now and he knows precisely what you can do to show the public what's on there.

Well I'll tell you what we had here, we had the potash . . . The provincial government under the NDP put together money, borrowed it for potash — something like, I think we've got here, 418 million; Saskatchewan Mining and Development Corporation, 250 million; the Prince Albert Pulp Company, 186 million. And if you want to argue about whether your 3 million or 10 million or 20 million was cooking the books, under how you wanted to stick it in there, I'll tell you one thing that the \$165 million that was borrowed was for real and we've had to pay the interest on it — Sask Oil and Gas, 94 million; Saskatchewan Government Insurance, 68 million.

Why I've got over a billion dollars here that was borrowed to buy something, and when I try to get out from under a mess that's losing \$91,000 a day, the member opposite says, oh, you can't do that. I mean, we're \$300-and some million in the hole on that, and he's the first to raise it in question period.

But you can't get rid of that. Now he's standing up and saying, why don't you balance your books? I mean, he won't let us fix it; he won't let us sell; he won't let us build; he won't let us create; and at the same time he wants more money for health and more money for education — \$100 an acre for this and \$100 an acre for that.

Look, you and I both know the politics of standing in the legislature and talking about how good you were and how good I was. I'll go through your last four years and my first four years, and I'll do it in some detail, because you did not do well. Not only politically did you not do well but economically and socially you did not do well.

Now when we inherited this outfit, we not only had all this debt and contrived balanced budgets, and you'd rob from the Crown corporations — and I've been through

that with you before — hundreds of millions of dollars even from one Crown. You never told people what you did with that. you threw it into the pot. But why didn't you mention wheat prices; why didn't you mention potash prices; why didn't you mention uranium prices; why didn't you mention the oil revenues that even your forecasters admitted when we got in here they knew full well that you wouldn't have that kind of revenue.

And I can show you that oil revenues did go up with some real hard work to keep people investing. And you mention that we only collect 25 per cent of the revenue and you collected 40. Well let's make it very clear. The royalty structure that you had we didn't change at all. For all existing oil it stayed right there; you know that and I know that. What we said to these people is: you come in here and you drill and drill and drill, and I don't care if you drill 100 dry wells, if you find one, I'll give you a year off and then I'll tax you the same high royalty rate. Do you know what we got after a year? Even if we had it for one year we'd have all those wells in here, all at the 40 per cent which you're talking about. But you don't know about economic incentive.

How do we get people in here? If you can't plan the seed in the spring, it's going to cost you. You have to invest. And we said, you can drill 100 dry holes and you won't get a nickel, but if you'll come in here and find one, we'll give you a year off and then we'll charge you the highest rate in North America — and you like that rate. So of course we did that. And your argument is, oh, but look in this year we're not collecting as much. Well when you plant your crop, your colleagues will tell you, you're out some money, you're out some money because you invest.

When you build a pulp-mill and you are going to invest in it, and you build a paper-mill and you're going to invest, you're going to have to take some risk and invest.

Now you've put this province in jeopardy over a billion dollars, and we're paying the interest, whether it's on the pulp-mill or whether it's on potash mines. And the pulp-mill has been losing money and the potash mine's losing and you're saying, well for Heaven's sake, that's all my fault. It's all my fault.

Well we can play these games. Your forecasts, I can show you, were way off. They're an awful long ways off. The interest rate changes, you didn't mention that. Potash prices dropping a great deal around the world, obviously that's not my fault. When you're into an agriculture situation where you have massive drought and grasshoppers, that's not my fault. Uranium prices dropping, that's not my fault.

I mean, it's been economic difficult times and everybody in Canada knows about it. Here in this province . . . And at the same time now we're looking at dramatic drops in oil prices and oil revenues, what do you want me to do? Do you want me, as you do, say at 22 per cent interest rates I don't care if you're hurting; I'm going to stick it to you because I believe that the government will have to be protected. And you hung in there and protected the Crowns, and you had them charging gas tax for SGI rates, and you had them charging all kinds of things to protect

that holy family of Crown corporations.

What I did was said the people are more important than the government bureaucracies. That's what I said. Now you say it's future taxes . . . I'll tell you what will happen. If you get revenues — say potash prices go up, oil prices go up, wheat prices go up, — you get money, money at the same tax rate.

I think the member from Shaunavon said last night at 22 per cent interest rates he made a profit. Well if you've got \$7 Durum and \$12 flax and you've got uranium \$150 a tonne, you're going to make some money and you were even . . . or potash \$150 a tonne, you're going to make some money. If world prices turn around, interest rates fall, you know that you can make massive revenues, and it's on the cycles.

So I got into a drought cycle and decline in prices even with production up and you say, oh well, that's my fault, that the international price . . . Look, nobody believes you. I suppose you can say that some might. Well some might, but certainly you won't fool all the people all the time.

With respect to taxes, you know the taxes that we have cut for families and ordinary people. You know them. And we have cut the sales tax, and we have provided huge heritage property improvement grants for senior citizens like they've never seen before. For low income people we've cut the tax. You don't mention that we cut income tax. You don't mention that people at the low end of the scale have had 20 to 30 per cent tax cuts — not 10 per cent in income tax — 20 to 30 per cent. You don't mention that we've charged an awful lot more tax on people like banks and railroads, much more than you did. You don't mention that.

Well I just say, Mr. Speaker, you can go along the Manitoba border where people are now coming across Saskatchewan to go to Expo, and they know there's no tax on gasoline and there's no tax on shoes and shirts and clothes and sneakers and running shoes, and they appreciate that. They're going to the legislature in Winnipeg saying, why don't the NDP in Manitoba treat us as well as the PCs in Saskatchewan. And they're upset with it, and they say, why aren't we competitive? Why don't they think about the people? Well.

(1100)

And you mention deficits. We went through this before. Do you think Alberta's rosy? They didn't change governments and they're into a deficit situation. Same government. Manitoba's on the same government. Went through the same conditions but didn't have a drought. Do you think that they're on a surplus situation? Not on your life. They got another massive debt. It's difficult.

You go to the state of Nebraska. It's difficult because of agriculture, because of high interest rates, and because of commodity prices. So you think it's just this administration? You can't make people believe that. When I go across this province people say: I believe, Grant Devine, that you have tried in difficult times. And you've gone to the people and listened and responded,

and you have protected them. And you have put money in education and health; you put money for seniors; you have helped people in social services. In terms of new jobs created, in any other jurisdiction you want to look at, we'll compete with Manitoba, Alberta or anybody else.

Well I can only say that I don't like deficits any more than you do. We have drought, we have potash prices dropping a hundred bucks a tonne, and we have serious economic conditions facing the people. You can go to them and say, I will doubt your taxes to balance the books because there's a drought, or the prices fell. And that's what they got from you. In the good times you lost it — you lost it. Why would you lost? I mean something must have went haywire if you had it all together.

You lost because people said you weren't listening. And now you're telling me at the same time, day after day, Grant, I want you to get me this and this and this and this — money for this, \$100 an acre for that, more money for this, more money for that. And now you stand up and say, and now I want you to balance the budget. And your campaign promises — you're not worried about the budget. You have offered more money — about a billion dollars — in your platforms already. Last night the member from Shaunavon was up there, seven for this and seven for that, seven for this — we've had people add it up and it's fortunes, hundreds of millions of dollars.

Now you tell me where you're going to get hundreds and hundreds of millions of new money if you're going to change the taxes that I've had, and you're going to do all these things at a hundred bucks an acre and pay for all this stuff. And I'm already in a situation where we've expanded markets and you're going to say, well, it'll be nothing to this. We'll just fix it. Look, well clearly you can't have it both ways. We can stand in here and argue for a long time.

I agree with you — I agreed with you; we don't like deficits. Deficits, as you have said in this legislature, and we can get you the quotes, from time to time you should have a deficit — I'm paraphrasing — if it's difficult times and you have to protect the people, then you should.

So we have had dramatic declines in wheat prices, very terrible interest rates, dramatic decline in potash prices and revenues — you know yourself, instead of getting 2 to \$300 million a year, it's cost us 25 to 100 million; there's nothing that you can do about those prices. Uranium prices are down, and now oil prices are down. I'm not sure what you expect anybody to do about those price situations.

So your forecast of a balanced budget was wrong in '82. You put me in that position. You're costing me \$91,000 a day in the pulp-mill, and you won't let me fix that. Your public Crown corporation in potash is losing us 50 to \$100 million, and what do we do about the prices? Can't do that. You put the risk on the taxpayer. Your philosophy says the public sector should own it, and when you own it you bear the risk. And if you don't like the risk, then you shouldn't be into it. Now if you believe that the taxpayer should bear the risk of \$91,000 a day and the equivalent in potash prices because of international price, fair enough. That is future taxes. If you want to look at future

taxes — all those investments.

So I mean, we have a legacy of CCF and NDP governments that built this and it lost, and built and lost, and bought and lost, and bought and lost. Well I don't blame you for trying. Everybody should be encouraged to try to invest. But when I get people to invest, and I encourage them to drill and I encourage them to expand and I encourage them to build pulp- and paper-mills, I think you could give me the same courtesy that I will give you. We want to see development. And we want to build. But when there are really difficult times, I believe the public sector should stand in there and protect people, protect them against high interest rates and drought and so forth, and if it costs them, then I believe you get it back when the times are better and prices go up.

Some Hon. Members: Hear, hear!

Hon. Mr. Blakeney: — Thank you, Mr. Chairman. Mr. Premier, your difficulty is that you think everyone was born in 1982. You expect the people of Saskatchewan to believe that there never have been low grain prices before, there never have been low potash prices before, there have never been low oil prices before, and therefore these are all something that never happened before.

But, Mr. Premier, there have been droughts before, and there have been low oil prices before, and there have been low potash prices before, and governments have faced up to these and have not had massive deficits.

Between 1944 and 1982 there were no massive deficits — no deficits of any significant size at all. There wasn't a deficit of more than perhaps \$10 million in the whole period. And those are the hard facts. And it is you who have decided on a different tack of massive deficits. And it's simply not true that none of these circumstances have ever happened before. And these are the hard facts, that there have been occasions before, at times indeed when oil prices were low, potash prices were low, and wheat prices were low. All true. All true in the early '70s.

And then I say to you, Mr. Premier, that you still want to carry on in the way you are. There's no point in our debating this. You have reached the conclusion that your job is to get some public servants who will come up with some excuses so that you can justify having any size of a deficit. And the deficit this year will be 6 or \$700 million, calculated on the same basis that the member for Kindersley calculated his budget last year.

An Hon. Member: — Less than Manitoba's though.

Hon. Mr. Blakeney: — And the member opposite who has been sent here to shout, and in accordance with your custom of having someone sitting here in order to harass the members on this side, he is suggesting that it's less than Manitoba, and he's wrong again. Wrong again. So I want to say that . . .

Mr. Chairman, I will step back so the member from Saskatoon can get at my mike. He's just about at it now . . . (inaudible interjection) . . . Right. Well the member from Moosomin is talking about politicians resigning, and he knows more about that than most people since he's just

decided to take the honourable course — the honourable course . . . (inaudible interjection) . . .

Mr. Chairman: — I think that we do need a little quietness on both sides here and . . .

An Hon. Member: — Our side didn't make any noise, Mr. Chairman — not one word!

Mr. Chairman: — The debate continues.

Hon. Mr. Blakeney: — I'll just sit down until . . . I'll just wait a moment till members get control of themselves. No, no, I'm . . .

An Hon. Member: — Tell him to shut up again, Allan.

Hon. Mr. Blakeney: — Well no, our people are speaking from their feet; members opposite are speaking from their seats — and I think that's a fair difference.

Mr. Chairman, I don't think there's any point in belabouring this. The Premier obviously believes that massive deficits are in the best interests of this generation and the next generation of Saskatchewan people. He obviously believes that policies which he has pursued — which have given record profits to oil companies and low revenues from oil companies — were good policies. He believes that he should congratulate himself if he gets the same amount of money during a period when oil prices virtually doubled; he believes that.

Well he can believe that, and we all have the legacy of that belief. We are all going to have to pay off that deficit, which is going to cost us about \$250 million a year to service up to now. That's more than we spend on the medicare plan. That's a good deal more than we spend on many, many other key investments and key expenditures — a good deal more than we spend on our universities. I think we could look at the Highways department, and its total budget would be less than \$250 million a year.

So the expenditures that we need for things like highways and medicare and universities are in fact going to pay the interest and the carrying charges on that deficit. We all know that; it's a fact. There's no way that we can wish it away, and it's true. And we all will have to pay that for almost indefinitely. The 250 million, I suppose, would retire it over 20 years, the interest and any small sinking fund, a couple or 3 per cent a year.

And so over that period of time Saskatchewan people will have to bear that amount, and they're going to have to continue to bear a great deal more if this government is re-elected and continues on its policies of spending a great deal more than it takes in. And the Premier was right the first time in saying that that's going to make us less competitive and it's deferred taxes. And unlike the Premier's comments that everybody is going to make money, it just makes common sense; it turned out, as a matter of fact, that everybody didn't make money, and it wasn't common sense.

All of these facts are known to the people of Saskatchewan. The Premier would wish that people would believe that these didn't make any difference, that

somehow deficits are an abstract thing that don't concern the ordinary citizen, but I tell you that it does concern many ordinary citizens and a great many small-business men. And I simply leave it at that. We clearly have a difference of view. He believes in massive deficits, and it doesn't matter what he says, that's what he . . . what he does speaks so loud, it doesn't matter what he says. And he has had five massive deficits, any one of which would have been larger than the accumulated deficits since he . . . before he came to office since 1905. But let's forget 1905, but certainly since World War II.

Nobody has run up deficits other than tiny ones that may be an accounting deficit, two or three . . . and he has adopted a different policy. Fair enough. We know what policy he pursues. I want to record the fact that we believe that prudent financing is not out of style, and that sooner or later some government in this province is going to have to tackle the problem the very massive problem created by the government opposite. I don't think I need to belabour that point; I think it's well understood by the people of Saskatchewan.

Hon. Mr. Devine: — Well, fair enough, Mr. Chairman. I would just point out that when the hon. member says that there never were deficits before in Saskatchewan, and that these times are just the same as they ever were, I can just . . . I just have to ask him: why is Alberta running a deficit with the same government it had in the good times? Why is Manitoba running this very large deficit? We've got an NDP government to the east of us, and a Tory government to the west of us, and they haven't changed, so it wasn't . . . in our cases we changed governments, but we were under the same circumstances.

And there is a concern in Albert, and I was reading it this morning in Western Report, that the \$14 billion heritage fund could be gone in Alberta within a matter of four or five years. It's called the fund envy, and what they're saying here, and I can just quote, says this:

. . . either the provincial government raids the fund to cover the debt, or it borrows money elsewhere, its current course; either way, the debt will soon equal the amount in the fund.

Well these are not normal times, Mr. Chairman. If you've got a \$14 billion heritage fund in a province like Alberta that has been accumulating wealth, and he says within a matter of years — within four years, this economist is predicting; this is Brian Sharp, University of Alberta, economist department chairman, says:

. . . \$14 billion will either be gone, used up, or the equivalent amount will be borrowed in Alberta because of the times.

And the member opposite said these are not unique times. Well he may think he's a magician, but I've got the NDP in Manitoba with a huge deficit, and I believe, I suspect, they're trying to be fiscally responsible. I've got the deficit in Alberta, and they're looking at losing the entire heritage fund, and he says, oh, these are normal times. And I've got a deficit in British Columbia, a deficit in Ontario, a deficit in Quebec, and a deficit in the

Maritimes, and he says, oh, these are just typical. Well, maybe typical to him, but when we've looked at 20-some per cent interest rates on top of massive declines in commodity prices, obviously it's not normal, and he can't say that it is.

And I'll take you to people up and down, businesses or not, that you may find one that says, oh, the provincial deficit is a problem, but at the same time he's got one himself, and he understands the problem. So you can try to make it a political problem if you will but these are not normal times that we're living in or have lived in these last few years, either because of drought or interest rates or the decline in prices, and so forth, and people from coast to coast or up and down the North American continent will tell you that.

(1115)

Secondly, he says that we lost revenue in oil. That's simply not true. So let's get the facts on the table. Oil production is up 13 per cent; provincial government oil revenues from 1978-81 versus '82-85, any combination you want to look at, they're up 79 per cent — oil revenues — because of things that we have done.

His concern is about the percentage take when you have a one-year holiday. Well I'll grant him that when you're going to invest, it's going to cost you. Then they pay the full royalty rate and we have 3,000 more wells pumping than when we started, and they will pay the high royalty. That's precisely why we did it, and it worked very well. Total value of petroleum and natural gas rights and sales in Saskatchewan is up 137 per cent. So in industries where we could encourage production up, obviously we've had some success.

Don't leave the impression that oil revenues are down; they're not. The percentage in the short run to encourage that production is down. I'll give you that. It's down for a reason, and we planned it that way so we could get some production and then they can pump oil. We've had some really good finds, and I expect there'll be some more finds.

Finally, I don't ever hear the member opposite encourage the federal government to balance the budget. I don't hear the NDP say that the members of parliament, Mr. Benjamin and Mr. Nystrom from Regina, I don't hear them talking about the feds balancing the budget. Don't . . . they say, cut, cut, cut, cut; don't you cut this. That's all talk about . . . (inaudible interjection) . . . No — spend, spend, spend, but when you come to the Tory government in Saskatchewan, oh, balance the budget. The Tory government federally who got the mess that was put together by Mr. Trudeau, the former prime minister . . . I mean I don't hear anybody from the NDP saying, oh, we got to balance that budget federally. No. They selectively chose.

When you're talking to the business man in Regina, do you say, oh, isn't that a wicked deficit we've got provincially? Do you ever mention the deficit federally? I doubt that. I've never heard you mention it in here when you're talking to me about the deficit. I don't hear Benjamin or de Jong talking about the deficit federally.

No. Oh, this poor farmer needs \$100 an acre, and this needs to be fixed, and that needs to be fixed, and then when you're in here, you're saying, oh, you should balance the budget. People know that you can't have it both ways. So they're pretty astute, pretty astute politically in Saskatchewan, and they know when you're talking out of both sides of your mouth.

So I would just say, if you want to be consistent, I'll join you and say, yes, federally and provincially across this country we should have balanced budgets, and we should work as hard as we can to have them balanced. At the same time you can't have campaign promises that promise a billion dollars just flowing out and you don't have any idea where you're going to get the money. You certainly can't get it from the potash industry, the uranium industry; and oil prices have dropped, and grain prices are down. Who are you going to get it from? You can't just go out and . . . The media has been asking you. They thought you were really going to be serious about this deficit, and within seconds of talking about the deficit, you were into a complete campaign platform that was spending money left, right, and centre. Well I just say, if you're going to be consistent, then you're going to have to be that way politically because they're going to catch you up on it.

I know that we have a deficit, and I don't like it, but I have put it there to protect people during some difficult times, and they understand that in Manitoba, in Alberta and B.C., in Ontario, and right across the piece and north and south. And it's difficult, and it's not typical.

So we can argue about it, but I don't want to leave the impression that oil revenues aren't up because of what we did. They're up a lot, and when the royalty finishes, year after year after year we have 3,000 more wells that are going to be pumping at the high royalty — and that makes sense. And you said so in the legislature. And you said you believe in that royalty holiday. You had a problem with the in-fill holidays but you are quoted as saying, I see no problem with the royalty holiday. And you said, I see no problem with free trade in potash.

I'm telling you, I'll be telling the folks that, because you can't have it both ways. If you believe in the royalty holiday, then say so. don't stand in here and say that we're giving it away when you have one hand . . . I can give you quotes that you believe in it, and then you stand up here and say that you don't. You stand up and say that there's less revenue, and I can show you that revenue is up.

You're against it on one day, and you're for it the next. You're for free trade in commodities — you've said that in the legislature the last time here, and then you get your colleagues to stand up and say they're for protectionism.

Well I don't think that you have many principles left in terms of what you really believe — what you really believe. I don't know . . . What is an NDPer today? What are they? You've been all over the map. I don't want to leave the impression that oil revenues are down; oil revenues are up, and you support royalty holidays and you've said so; and you support free trade in commodities and you've said so. So I just want to put that on the record

so that you can't have t both ways.

Some Hon. Members: Hear, hear!

Hon. Mr. Blakeney: — Mr. Chairman, I'm not going to attempt to rebuff that rather remarkable exercise in semantics.

But not directing one's attention to the facts, I will just make two very simple statements. I have many times called for the Mulroney government to do better at financing. I can think of comments I made last evening saying that I didn't approve of the billion dollar bail out of the two banks. I said I didn't approve of the \$500 million that went to the Reichmann's on the Gulf oil deal. And I didn't approve of the \$500 million that went to Dome Petroleum. And those are some of the things which would have dealt with the federal deficit.

I have indicated a great number of tax loopholes of which I did not approve. Members opposite were very proud of the scientific research tax loophole that cost the people of Saskatchewan their share of some \$2 billion. We know it was brought in by the Liberal government. I'm not denying that. But it was brought in with the full support of the PCs and with the opposition of New Democrats who have said those types of give-aways cost people money.

So I don't want to debate the federal budget here. But the suggestion that we have never called for the federal government to get it's tax affairs in order is bizarre by reason of the fact that the last election a major plank of the New Democratic Party, federally, was fairness in taxation and plugging corporate loopholes — plugging corporate loopholes — you know, the tax expenditures of some \$30 billion.

Now all of them are not bad, but 10 or 15 billion of those are straight give-aways. You know that; I know that; New Democrats have complained about them; PCs have endorsed them. That's all I'll say about that. I will not ask any further questions on subvote 1.

Item 1 agreed to.

Items 2 to 10 inclusive agreed to.

Vote 10 agreed to.

**Consolidated Fund Budgetary Expenditure
Legislation
Ombudsman — Program Services
Ordinary Expenditure — Vote 21**

Item 14

Hon. Mr. Blakeney: — Mr. Chairman, just to refresh the members of the committee, would you indicate whether all of items to 13 inclusive have been dealt with by the committee on internal economy or what the . . . I think that's the appropriate name. We all know the committee to which I refer.

Mr. Chairman: — Yes, for the Leader of the Opposition, I can confirm that items 1 to 13 inclusive have been dealt with by the committee.

Hon. Mr. Blakeney: — Mr. Chairman, and Mr. Minister, in view of the comments by the Ombudsman about the pressure of his work and the number of cases that are not being dealt with in respect of which delays are being encountered, is it the intention of the government to review this matter and provide additional funds for the Ombudsman so that he can maintain an appropriate turnaround time in dealing with the complaints of citizens?

Hon. Mr. Berntson: — Mr. Chairman, before I answer the question, I should introduce the official — Mr. Ken Barker, assistant to the Ombudsman — I understand since 1973 assistant to the Ombudsman.

As it relates to your question and the budget for the Ombudsman, you will know, of course, based on your discussion during this committee with the Premier during Executive Council estimates that there is always, particularly during these times, a difficult time in setting priorities and where money should go. The Ombudsman is one that we try to keep fairly tight. I guess you could suggest that that's an indication of the weakness of the minister at cabinet when he's arguing for these things. But the reality is that I wasn't successful in getting additional funds during budget discussions.

As it relates to the suggestion of the hon. member, will we be considering additional funds so that he can clean up his turnaround time? I'm always open to discussion with the Ombudsman, and any arguments that he's able to advance with me will be taken into consideration. And if we can find that he is indeed in a difficult situation as it relates to support to achieve the desired turnaround time, I will again take those arguments to cabinet, Mr. Chairman.

Item 14 agreed to.

Vote 21 agreed to.

(1130)

**Supplementary Estimates 1986
Legislation
Ordinary Expenditure — Vote 21**

Item 2 agreed to.

Vote 21 agreed to.

The committee reported progress.

COMMITTEE OF THE WHOLE

**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**

Clause 1 (continued)

Mr. Shillington: — Mr. Minister, the portion of the agreement which permits losses to be deducted from the principal owing is not the most expensive item of this

agreement, but it is by far, in a way, the most bizarre. That's a fair feat because it is a bizarre agreement. This is the most bizarre provision in a quite bizarre agreement.

Mr. Minister, I'd appreciate knowing what the thinking was behind the government's agreement to include this province is an agreement. I have never seen anything like it before.

Hon. Mr. McLeod: — Well not many people will have seen a wholly owned government pulp-mill, so we're breaking some new ground in several areas here. But the end result will be that the government will be out of the operation of a pulp-mill. As for the member, to say he has never seen anything like it before is not necessarily the criteria upon which it should be judged.

I would say that we had two options going into that, and I have explained this before, but I will go through it with the member. If you think about the two parties coming to the table to say, okay, what are the options as it relates to the losses during the period of time that the paper-mill is under construction, which will take a couple of years and so on. Now during that period of time there will be losses continuing on the stand-alone pulp operation.

One of the options could have been that we as a government could have said, we will continue to absorb those losses and pay for them up front on an annual basis, cash, which is what goes on now over the last number of years. Those losses have been outlined, and I will be pleased to go over them again with the hon. member. So that could have been an option.

Or on the other hand, the option could have been to say that those losses will be deducted from the debenture and become, for lack of a better term, paper losses off the debenture rather than cash-up-front payments required by the province of Saskatchewan in the given year '86, the given year '87, and so on.

We chose the second option because we think it's the most prudent option.

Mr. Shillington: — You chose the second option because you can't delay the election for three year. Mr. Minister, you have unwittingly confirmed something else, and that is that the agreement transfers the pulp-mill now, here and now; it is not conditional upon building any paper-mill.

There was, of course, an alternative for you, Mr. Minister, and that was to transfer the pulp-mill when the paper-mill was built, but you didn't do that. You chose to transfer the pulp-mill now, here and now, and you have got this weird provision whereby they can deduct losses which they claim from the purchase price.

So I would ask you, Mr. Minister, just to confirm that they're getting the pulp-mill here and now, and it is not in any way conditional upon the building of the paper-mill.

Hon. Mr. McLeod: — No, Mr. Chairman, I have said before and said before that no agreements will be executed which do not provide for the construction of a paper-mill. No agreements will be executed of any kind,

whether it relates to the guarantee or whether it relates to the debenture. No agreements will be executed unless the guarantee of the paper-mill is there.

Mr. Shillington: — Mr. Minister, is this agreement conditional upon the building of a paper-mill? The Premier quite clearly yesterday suggested it wasn't.

Hon. Mr. McLeod: — I'm sorry. I just missed the last part of your question. Would you mind repeating it.

Mr. Shillington: — Mr. Minister, I asked you to confirm that this agreement is not conditional. This agreement transfers the pulp-mill. It's clear from the schedule, otherwise the schedule doesn't make any sense at all. It's clear that the agreement which you won't give us transfers the pulp-mill.

I take it, Mr. Minister, and I ask you to confirm that the agreement to which this is a schedule does not make the transfer of the pulp-mill conditional upon the building of a paper-mill.

Hon. Mr. McLeod: — Well we've been through this before. What you have, schedule B, is a schedule to a set of principles, agreement of principles, and schedule B is the repayment schedule for the debenture — one aspect of the total deal, which I've been through many times and I think is well understood now by whoever has entered into an analysis of what's happening. Okay? So whether you want to admit it or not, that's what that is.

Now if you just refer to the Bill, Mr. Chairman, and if all members of the committee would refer to the Bill, I would refer to two sections of the Bill which provide for the development of a paper-mill at Prince Albert, and it very specifically says that. In section 3(1)(c), the last two or three lines of the section relate to the whole thing, and I'll just quote the last couple of lines:

. . . in respect of a Saskatchewan project which will include improvements to a pulp mill and the development of a paper mill at Prince Albert.

Now that's very specific to "a paper mill in Prince Albert." And that of course deals with the . . . Well what more can I say? It's specific to a paper-mill.

I'll take you, Mr. Chairman, and to the hon. member from Regina Centre, to section 4(1), and in section 4(1) . . . I'll just read the whole section:

With the approval of the Lieutenant Governor in council, the Minister of Finance or such other member of the Executive Council as the Lieutenant Governor in Council may designate may enter into and execute agreements and indemnities, on behalf of the Government of Saskatchewan, (enabling legislation, in other words, Mr. Chairman) with any person, agency, organization, association, institution or body within or outside Saskatchewan facilitating the sale of assets of Prince Albert Pulp Company Ltd. and Saskatchewan Forest Products Corporation and the development of a paper mill at Prince Albert.

Which very specifically states, "the development of a paper mill at Prince Albert." That paper-mill — as once again I'll say to you, Mr. Chairman, and to all members of the committee and the public of Saskatchewan — the whole deal is contingent upon the development of a paper-mill in Saskatchewan.

Mr. Shillington: — I grant you, Mr. Minister, this is a grossly, grotesquely laborious process. It's made so by the fact that you've given us part of the agreement and not all of it, and you're playing hide-and-go-seek with respect to the rest of the details.

I would readily admit to you that this is a grotesque way to go about handling the province's affairs. But it comes about because you, I think quite by mistake, gave us part of the agreement and now you won't give us the rest. And we are, as I say, playing hide-and-go-seek with you.

Mr. Minister, there's patently nothing in this Bill which guarantees the building of a paper-mill. Indeed, 3(1) quite clearly states that the guarantee may be used for either improvements to the paper-mill, and that's patently clear from the English language.

Likewise, 4(1) uses the word "may," and I ask the minister to consult any standard English dictionary for the meaning of the word "may." The word "may" and the word "mandatory" have two quite different meanings. So there's nothing in here which guarantees the building of a paper-mill.

I ask the minister again; since it's not in the legislation and no amount of stonewalling by you is going to put it in the legislation — if you want to bring forth an amendment, that's something different, but it's not in the Bill — is it in the agreement, or is it just another fit of optimism by this government that you can pull off this paper-mill?

Hon. Mr. McLeod: — Well, Mr. Chairman, I read from section 3(1)(c). The member stands immediately after, and immediately after he perused the section himself, and says that it provides for either the improvements to a pulp-mill or the development of a paper-mill. The Bill clearly states, Mr. Chairman — and I'll just read that last line again:

... which will include improvements to a pulp mill and the development of a paper mill at Prince Albert.

(1145)

It says that clearly. But one thing that must be made clear to you, this is the enabling legislation, the enabling clause; this is not the guarantee itself. This is what enables the government to enter into the guarantee. The schedule that you have is a schedule to a basic set of principles, which is just that — part of set of principles of agreement. It is not the agreement itself. I've made that very clear in both cases.

So what we're dealing with is a Bill which gives the enabling powers to enter into a guarantee, which is fair

ball. And that guarantee will be on this basis — very specific, not to enter into a guarantee for all manner of things — enter into a guarantee "which will include improvements to a pulp mill and the development of a paper mill at Prince Albert."

Now if there's anything that you think could be changed to make that more specific, I would like to know what it is. And if you can find "either/or" in that little word "a-n-d", I'd like to hear that as well.

Mr. Shillington: — Mr. Minister, since you continue to refer to the Bill as your evidence of a commitment by Weyerhaeuser to build the paper-mill, do I take it that there's no such commitment in the statement of principles itself?

Hon. Mr. McLeod: — Mr. Chairman, I have said, in the agreements themselves, the legally binding agreements which will be signed, final agreements, will contain the guarantee or the . . . you know, the guarantee of the paper-mill construction before they're executed. I would say that.

The agreements will be tabled. The agreements will be tabled after closing. The negotiations are ongoing. I've said that before, in terms of the final agreements. The negotiations are ongoing. They will continue. Negotiations will not take place here in the legislature, nor should they.

But certainly the people of Saskatchewan will need to know and will want to know the final arrangements. And the people of Saskatchewan have the commitment on many occasions, from myself and from the government, that they will see those final agreements after closing, and after the closing of the negotiations and the signing of the agreements.

Mr. Shillington: — I take it then, Mr. Minister, that the . . . Do I take it then that the deduction of losses from the principal was an additional inducement which had to be thrown in in order to get Weyerhaeuser to enter into this agreement? Do I take that to be what you said?

Hon. Mr. McLeod: — I don't recall having ever said that.

Mr. Shillington: — Then what is the thinking behind the government in this bizarre provision?

Hon. Mr. McLeod: — I explained that very clearly. The option was either that we continue to absorb the losses in the free-standing pulp-mill . . . I explained that to you — the two options.

We chose to go with the option of reductions from the debenture rather than . . . And you may argue. You may argue that the Government of Saskatchewan could have continued to take the losses. In other words, let the hemorrhaging continue.

I just say that that's not the . . . You know, this is from the . . . on behalf of the public of Saskatchewan. We chose not to do it that way, and I've been through that explanation just this morning, Mr. Chairman.

Mr. Shillington: — When do you anticipate Weyerhaeuser will take over the pulp-mill?

Hon. Mr. McLeod: — They will, at the closing of the agreements, Weyerhaeuser will take over the operations of the pulp-mill and begin construction of a paper-mill.

Mr. Shillington: — What date do you anticipate it will close by, then?

Hon. Mr. McLeod: — I have said before, and I mean, you know, you can look in an incredulous way at me and say . . . I've said before, in this very debate, that it was six to eight weeks from now that we expect that the final documents will be signed. And, you know, I can't give you a date. There's no set date, but as I've said, the negotiations go on, on some of the finer points, and we expect six to eight weeks from now that the final agreements will be signed.

Mr. Shillington: — Mr. Minister, I take it there's no cap on the amount of losses which might be deducted from the principal either?

Hon. Mr. McLeod: — I'm informed that that's one of the provisions that's still under some negotiation, of whether the cap . . . there's likely to be, but it's part of the negotiations that are still ongoing.

Mr. Shillington: — Mr. Chairman, I am going to move an amendment which you have before you. I and my colleagues believe that the minister is wasting the time of this Assembly. We ask what are rather simple straightforward questions, and we get the most nonsensical comments from the minister, who if I were to ask the minister the time of day, he'd say, that's something I can't disclose until after the closing of this agreement.

The minister won't tell us a thing. He patently gave us the schedule by mistake. The schedule includes some provisions which neither I nor most observers of commercial transactions have ever seen before. By far the worst and the most bizarre, and the most dangerous is the provision that allows Weyerhaeuser to deduct from the principal owing, the amount of their losses.

No one has suggested any means by which this government can control the amount of losses. When we asked the minister if it was cap, after a five-minute consultation in which patently neither he nor anyone else can concoct an answer which will withstand questioning, he says that's subject to negotiation. Patently, what he means is there's no cap.

You have a simple straightforward provision in the schedule which isn't subject to negotiation, and which I will read for the benefit of the minister, who seems to have a bad memory. I wouldn't feel so strongly about that, except it's going to cost . . . except his bad memory and his bad judgement is going to cost this province a quarter of a billion dollars. This provision says — I will find it here in a moment — this provision says:

In the event that earnings as determined in accordance with paragraph 2 below, are negative in any year, including stub period (a "year"), prior

to start-up, the principal amount of the Debenture shall be extinguished to the extent of such negative amount.

Members will remember that earnings . . . that the ordinary meaning of earnings is not used. The meaning of earnings which accountants would attach to the word is not used. Earnings for these purposes mean earnings in excess of 12 per cent on invested capital.

Since the mill is unlikely to ever achieve that and since, with every degree of honesty, the amount of the earnings can be manipulated, Weyerhaeuser can, for all purposes, with every degree of honesty and with no lying, cheating, or stealing — to use the Premier's words — can reduce the principal amount by very large sums. And there doesn't appear to be a thing this government can do about it.

This is a clear provision which binds the government. It's got Gaynor's name on one corner, which is the vice-president of Weyerhaeuser, and it's got Mr. Garnet Wells' name on the other. So clearly this is binding on the government. This provision which allows Weyerhaeuser to deduct sums from the principal, which appear to be in the discretion of Weyerhaeuser, is unfathomable. I cannot understand why the government would agree to such a thing, and I cannot understand how the minister can pretend that he can impose any limit on this.

There is within any financial statement some discretion, and apparently it is in Weyerhaeuser's discretion how much is going to be deducted. I have not talked to a single person, be they lay people or financial people, who can understand why this government would enter into such a foolish provision, a provision which allows Weyerhaeuser to pay us about what they think appropriate. That's the practical effect of subclause (b); Weyerhaeuser will pay us what they think's appropriate.

That is not satisfactory to this opposition; it isn't satisfactory to the public. And when the members get out of this place and get back to their constituents, they're going to find some awfully hard questions being asked of them. And one of the ones that's going to be the most difficult to ask is this question here: how on earth could you enter into such a nonsensical agreement which provides that Weyerhaeuser can deduct, almost at their discretion, losses from the principal?

I therefore move, Mr. Chairman, an amendment to subclause (1) — you have the amendment before you — which provides:

Notwithstanding any agreement or arrangement with respect to the sale of assets of Prince Albert Pulp Company Ltd. and Saskatchewan Forest Products Corporation in exchange for \$248 million debenture from Weyerhaeuser, under no circumstances shall any losses of Weyerhaeuser be deducted from the principal amount of that debenture.

That is just common sense. And I suspect, if the members want to go home to their ridings, if they pass this, they'll find at least one of the embarrassing question which is

going to be awaiting them will have been washed away. If members hope to enjoy any peace over the weekend, you might consider agreeing to this. That is not an adequate reason to change a Bill. But I tell members opposite, I make that comment by way of telling members opposite that you are going to face a very angry public. The public are not one bit happier about this give-away than we are. So if you think what you're doing is satisfactory to the public, then just turn down this amendment and go home and I'll tell you, you're going to find out that the public are outraged.

The sum involved is very, very large. If you had received the cash for this instead of giving it away, it's my calculation you could retire about one-eighth of the provincial debt. This is a very large sum of money.

Although the grant to Gainers is as outrageous, in the sense of it's irresponsible, the sums are trifling compared with this. This is an enormous sum of money. I know members opposite find the give-away of a quarter of a million dollars to be an amusing subject. I can tell you that the public don't find this to be an amusing subject. And I can tell members opposite that if you persist in passing this Bill, you might at some point in time in the future succeed, but you are going to reap a bitter harvest when you finally are forced to call an election.

Hon. Mr. McLeod: — Mr. Chairman, the amendment offered by the member from Regina Centre is clearly just political posturing in its . . . well it is clearly political posturing.

What the member wants to do now is negotiate the deal in the legislature. That's what he's saying; we want to negotiate. What I will say to him and to everyone in the province, that we have very competent negotiators. They will be continuing to negotiate with Weyerhaeuser's corporation, and that negotiation is ongoing, as I've said before.

(1200)

When it's complete, which we expect to be in not long from now — when it's complete and the agreements are signed, you will see the outcome of that. What I said, as it relates to a cap on the losses, potential losses, is that there is likely to be a cap. That's still a subject of negotiation. I clearly did not say that there won't be, and I clearly didn't say that there will be. What I did say, that there's likely to be, and I will stand by that.

There is one thing that's absolutely clear though, and I want to make it clear to the member. There certainly is no cap on the losses now, given the status quo. There's no cap on those losses now, that's for sure. There is no cap — now.

I have clearly outlined to you the reason that we chose this option rather than a continuation of the absorption of those losses directly on an annual basis to pay those losses directly out in '86 and in '87 and so on. So I've explained that to you. Now you may disagree with it. That's fair ball for you to disagree. But I've explained the rationale and the reason for going with the option which I chose.

What we will have when Weyerhaeuser Canada begins to operate the pulp-mill, what we will have is something quite different in terms of the marketing of pulp than what is the present case. The present case in the marketing of pulp is that we deal in the spot market. The case, when it becomes under Weyerhaeuser Canada, will be what they will bring to it, other than their expertise in the operation of the pulp-mill, and so on, but they will also bring their marketing network and their expertise in the marketing network and in their world-wide markets. And that should be, and we believe it will be, of benefit to that pulp-mill.

But in any case, I don't know what more I can say except to say that we certainly reject the suggestion by the member, because it is nothing less and nothing more than just political posturing. We can expect that, and certainly that's what this House is for — certainly much more for that than it is for the negotiations of a major deal to take place in here. So we won't negotiate. But this is an attempt to posture as well as to negotiate, and we reject that on both counts.

Hon. Mr. Blakeney: — Mr. Speaker, I rise in support of the amendment. The reasons for it were basically given by the minister — basically given by the minister.

The minister says that in six to eight weeks this mill will be turned over to Weyerhaeuser Canada. He says it will be operated in a different way than it would be operated if it were operated by the Prince Albert Pulp Company. And he says the reason is that it will be marketed differently — the product will be marketed differently. And what he said was that this mill will now sell its product through the organization, the world-wide organization, of Weyerhaeuser incorporated.

Now just think of that for a minute. Here is Weyerhaeuser Canada — out of the minister's mouth — selling its product through Weyerhaeuser subsidiaries all around the world, and the profit or loss, because of these dealings between Weyerhaeuser Canada and Weyerhaeuser incorporated and its subsidiaries, are going to be at the expense of the Government of Saskatchewan.

Now you think of that for a minute. You think of that for a minute. Would you sell your business, your business, a merchandising business, to anybody, saying to him, you operate my business — the one I used to own — and if you suffer a loss, we'll knock it off the purchase price. And further, you can sell all the product you produce to companies which you own or control.

Now it doesn't take very much ingenuity for Weyerhaeuser Canada, when it's selling all its products to companies which are associated with it, to make a loss. It doesn't take a lot of ingenuity for Weyerhaeuser Canada to price that product, when it's selling to Weyerhaeuser U.S. or Weyerhaeuser Italy or Weyerhaeuser whatever else, to price it in a way that Weyerhaeuser Canada at Prince Albert will suffer a loss. And every one of those losses will be at the expense of the people of Saskatchewan.

There is no suggestion, and the minister hasn't given us

any assurance, that there will be any protections against non-arm's length dealing. None whatever. Non whatever. And here we have . . .

I ask anybody who has ever been in business — ever been in business — whether or not you believe that a transaction, from a subsidiary company to another subsidiary company, will always be at market price — everybody knows that's not true. Everybody knows that that's the bane of tax enforcement, the bane of any government agency which is trying to assess at what price goods are moving between a parent and a subsidiary, or between two subsidiaries.

And everybody knows that, within limits, companies can site the profit in one place or another, and there's nothing illegal about it. Indeed, proper accounting practice would suggest that the products be priced low to the subsidiary, priced low to the marketing agency in the United States.

There is a general accounting principle which says that you shall not declare a profit by selling something to yourself, but only when third-party money is in. Now if any of the lawyers or accountants around deny that, then they obviously are displaying something about themselves, but not about accounting principles. And if you thought about that for a minute, you'd agree.

If I owned company A, and I have company B, and then we're going to sell something to the world, to a third party, I would hardly be able to say I made a profit by selling from company A to company B. I made the profit when there's some third party money in the pot.

And therefore it is entirely likely that Weyerhaeuser, in selling from Weyerhaeuser Canada to Prince Albert to Weyerhaeuser U.S., will price the product not to make a large profit in Prince Albert. This would defy accounting principles. And I say to you, it is entirely likely under those circumstances that Weyerhaeuser will be able to run up a big loss in Prince Albert, all of it accruing to Weyerhaeuser U.S., but the loss is at our expense — the profit accrues to Weyerhaeuser U.S., and I say this all without any impropriety.

There is no suggestion that there is any set rule in pricing between one subsidiary and another — no suggestion that there's any set rule. There is a fair amount of judgement in that pricing. Weyerhaeuser can make the judgement and the people of Saskatchewan pay for the judgement which Weyerhaeuser makes. So that's point number one, point number one. When Weyerhaeuser at P.A. is selling to itself in Weyerhaeuser, Tacoma, or Weyerhaeuser in Rome, then there is no assurance that the price will be such as to produce a profit at Prince Albert — none whatever.

The second point is really quite different. It deals with the chemical plant at Saskatoon. A quick reading of schedule B appears to indicate that, eight weeks from now when Weyerhaeuser takes title, it can sell the chemical plant at Saskatoon. there are certain limitations about selling the pulp-mill, but none of them appear to apply to the chemical plant.

It seems also clear, Mr. Chairman, that the chemical plant makes more money than the pulp-mill. I may be misinformed on that, but it's my belief that the chemical plant is a money-maker, whereas the pulp-mill during the last downturn of the pulp industry has not been a money-maker.

An Hon. Member: — Hasn't ever been a money-maker.

Hon. Mr. Blakeney: — Well members opposite will suggest that a track record of profits from 1966 to 1982 is not money-making. I would be rather happy to have a business that had that sort of a track record. That's what the pulp-mill made. Nobody denies it made money until it was taken over by the government opposite. It made money until 1982.

But this is . . . (inaudible interjection) . . . May I ask you, Mr. Chairman, to allow . . .

Mr. Chairman: — The Leader of the Opposition requires some quiet so he can make his point.

Hon. Mr. Blakeney: — And this is a serious point. My question is whether or not — and not a question — I say that my information is that the chemical plant was a more profitable outfit than the pulp-mill during the downturn of the last two or three years. I say that Weyerhaeuser would be able to sell the chemical plant, and therefore increase the losses, increase the losses to the pulp-mill. They may well sell it to themselves through another Weyerhaeuser subsidiary for all we know. But they could sell it, and I see no prohibition there. And you can look to see why there's a prohibition with respect to the pulp-mill, and none with respect to the chemical plant, and thereby increase the losses — all, again, at the expense of the people of Saskatchewan.

Now if members opposite put a different interpretation on schedule B, I would be happy if they would refer me to the provisions which they rely on. But I say that it's here. I say that that's possible. And I say that therefore the people of Saskatchewan run the additional risk of having a very substantial increase in the losses because of a sell-off of the profitable portions of the enterprise and leaving the less profitable, at least at this downturn in the pulp-mill industry, the less profitable portions of the enterprise — all, again, at the expense of the people of Saskatchewan.

I say the only way we can protect ourselves against those tow eventualities, and no doubt there are others, is to have an amendment which says that these losses, that when Weyerhaeuser is operating the mill, profits or losses shall be at Weyerhaeuser's expense. And that seems to me to be a reasonable thing. I'd be delighted if any members would enter the debate and give us an instance, one instance, where they know of an enterprise which was sold to be operated over an extended period of years by the purchaser, with profits and losses to be at the vendor's expense — just one, just one instance of that . . . (inaudible interjection) . . .

And members are suggesting that they have them. I hope they will not deprive the committee of their information. Just one instance. And I say I can't recall any. You can occasionally get two or three months. But an extended

period of years, a purchaser operating a company, after they take over, operating a company and whether they make a profit or a loss is of no interest to them, since it's all going to be at the vendor's expense. I can't recall a single such occasion because it would be wildly improvident on the part of the person selling a mill, the vendor. And I don't think they can point to any.

And I think that the only way we can protect the people of Saskatchewan is an ordinary commercial way — and this is not an ordinary commercial transaction, the one they're proposing — to apply ordinary commercial rules. And the ordinary commercial rules are this: when you buy something and you operate it as the buyer and you make a profit, the profit is yours; and if you make a loss, the loss is yours, and you shouldn't be able to move the loss back to the person who you brought it from, the vendor.

That's ordinary commercial practice. We're not seeing it here. This amendment would assure us that we were following ordinary commercial practice, and that's why I support the amendment.

Hon. Mr. McLeod: — Well several points, Mr. Chairman. First of all, you know the member, and what I have said before and I believe to be the case, I believe that the member thinks that we have competent negotiators working the deal for us. You can say so if you like. The member from his seat says there's no evidence of it and he doesn't think we have. I have faith in the negotiators that we have and the people at Crown Management Board and others who are working on this deal and on others.

And what I would say to the member is that there will be . . . When you see the final agreements, finally signed and finally negotiated, there will be clauses there to the effect that . . . I don't pretend to be a lawyer and I know the member is a lawyer, but clauses to this effect — that accepted Canadian business practices will be adhered to by the company without regard to the terms of debenture. Just so that you can know that.

(1215)

And another point that I might make as it relates to your suggestion that Weyerhaeuser will enter into some type of magic bookkeeping and all the rest of the kinds of things that you always suggest that private sector firms will do in order to bilk the public, or whatever it is that you have this great fear of. What I would say to you is that first of all, when I mention about the marketing of pulp, the ownership and the operation of the pulp-mill are two very different things.

The public of Saskatchewan now owns the pulp-mill. Clearly the operation of the pulp-mill are the people who are there and operating the pulp-mill, and I believe that those people will be operating the pulp-mill after. They're the same people that operated it for Parsons and Whittemore; they operate it now for the Government of Saskatchewan who are the shareholders; and they will probably operate it for Weyerhaeuser Canada.

So the market pulp that goes out of that mill will be public knowledge in terms of the amount of pulp that leaves the

mill. It will be public knowledge in terms of what the price of pulp is, or in other words what the pulp market is.

So you've got the amount leaving, what the pulp market is, and so on, and yet the member will stand and say that Weyerhaeuser, through some kind of fancy bookkeeping, will sell it at different prices to themselves, and all the rest of the things, which always comes back, Mr. Chairman, to the belief of that member.

And I believe more and more as I watch in here and as I followed his career in this province, I believe more and more that he comes to that brick wall that is his philosophy which says, if you're in the private sector, you can't be trusted. He believes that. He's come to that belief somehow, but he continues to come to that. I mean, that's the direction that his arguments will take him. That's the direction that his colleagues will take him, and I believe that that's the direction that their party's going in the province and has been for some time.

So, Mr. Chairman, we'll reject the amendment for the reasons that I stated before in the fact that it is nothing less or nothing more than political posturing and an attempt to negotiate the deal here in the legislature, which is not the proper forum for such negotiations.

Hon. Mr. Blakeney: — Mr. Chairman, and Mr. Minister, just to reply to a couple of the ad hominem arguments which you addressed. The suggestion that somehow I'm opposed to the private sector is fairly amusing considering the fact that I grew up in a household that so far as I'm aware, I can't remember my father ever getting a pay-cheque in his life. He was always in small business, and unlike some members opposite, I have been in small business. I was keeping books in small business, privately owned small business, when I was 14 years old.

I say to the members opposite, a lot of them don't have any experience at all with small business. My grandfather was a small-business man all his life, and this suggestion that somehow I think that they're all swindlers . . . I've got one brother and he has spent his entire life in the wholesale fruit business, and if you're suggesting that somehow I think that these people are all swindlers, that is childish nonsense — childish nonsense.

The member opposite says that I am suggesting that someone is cheating and cooking the books, and of course that is entirely wrong . . . (inaudible interjection) . . . The member from Prince Albert-Duck Lake says I said that, and of course he is not telling the truth. I very much suggest that he probably knows that, but perhaps he doesn't. I'll give him the benefit of the doubt.

I am saying that using the normal business practices, this can happen — normal business practices. I wonder if the members know of the problems which any taxing agency has. I wonder if they know of the artificial rules which governments have had to set up. Let's take a company like — pick one — Imperial Oil, Esso, Exxon.

An Hon. Member: — Co-op would be the first one.

Hon. Mr. Blakeney: — Co-op is rather different because it doesn't . . . the co-ops all operate separate agencies,

separate retailing agencies, but Federated would be all right — Federated would be all right. Where do you think Federated makes its profit if it saws lumber at Canoe in B.C. and ships that lumber to Federated's wholesale agency in Saskatchewan and then sells that lumber to the Prince Albert co-op? Where do you think it makes its profit?

Well I tell you, I tell you this: because there are no strict rules on this, the governments of Canada had to set up artificial rules to see where the corporate taxes go.

You will say that the co-op is a bad example on that. I will use Esso where they have a refinery in Alberta and they move their gasoline to Saskatchewan. There are no particularly established rules, and that's the point I make. And if you think they are, please tell the governments of Canada who have had to set up their own artificial rules to say that Esso's profit will be distributed across Canada on the basis of the number of employees it has and the number of sales it has. Artificial rules they have had to set up because there is no well-established accounting principle of the price at which Esso's refinery in Calgary or Edmonton should sell its products to subsidiaries across Canada — across western Canada in this case.

Those rules are not there. Those rules are not there, and they use different principles. And there's nothing to suggest that Esso is cooking the books. We're not suggesting that at all. We're suggesting that there is no set rule. And if the member for Prince Albert can stand up and say what the set rule is for moving product from one part of a conglomerate to another part of a conglomerate, and if they can tell me where it's set out in normal accounting principles, please tell me. I say it isn't there.

And I say that there will have to be some rules for non-arm's-length trading. We don't see them, and without them, then there is a good deal of discretion all within normal accounting principles, and all well beyond any suggestion of impropriety on Weyerhaeuser's part.

Weyerhaeuser is in business. They will make solid business judgements. And surely that's what all of us would do when we're in business. We would make solid business judgements. And Weyerhaeuser can make a solid business judgement which will move a lot of loss to the people of Saskatchewan. This amendment would make that impossible, and that's why I support the amendment.

Amendment negated on the following recorded division:

Yeas — 7

Blakeney	Tchorzewski
Engel	Lingenfelter
Koskie	Lusney
Shillington	

Nays — 30

Birkbeck	Morin
McLeod	Muirhead

Berntson	McLaren
Taylor	Parker
Duncan	Johnson
Schmidt	Young
Myers	Hopfner
Dutchak	Rybchuk
Dirks	Caswell
Embury	Muller
Sandberg	Baker
Klein	Glauser
Currie	Zazelenchuk
Martens	Gerich
Smith (Moose Jaw South)	Petersen

Item 1 (continued)

Mr. Shillington: — Thank you very much, Mr. Minister. I take it . . . Oh I'm sorry, I'll wait till your staff return, actually.

Mr. Minister, there's no commitment to the paper-mill in the master agreement to which this is a schedule. You repeatedly refer to the Bill as the commitment to the paper-mill. do I take it the only commitment in writing at this point in time which has been signed by Weyerhaeuser, which can in any sense be called a commitment, is in the Bill? There's no commitment in the agreement to which this is a schedule, and there's no other agreement in existence. Do I take that to be the case, that you look to the Bill as the sole source of a commitment to the mill?

Hon. Mr. McLeod: — Mr. Chairman, we've been through this a couple of times — more than a couple of times. There is a commitment, Mr. Chairman, to the construction of a paper-mill. The paper-mill will be an integral part of the operation. The Bill which we are dealing with here, the enabling legislation, clearly states, very clearly states in two separate places — this Bill clearly states that there will be development of a paper-mill at Prince Albert.

I have clearly stated to you that there will be no agreements executed — whether they be as it relates to a guarantee on the paper-mill, financing of the paper-mill, or as it relates to the debenture which is for the purchase of the assets of the present pulp-mill — that there be no agreements executed without it being a part of the agreement that a paper-mill must be built at Prince Albert as an integral part of this operation.

Mr. Shillington: — And, Mr. Minister, what riding does Weyerhaeuser represent in this legislature? Well you say the Bill is the commitment to the mill. The Bill only commits the legislature. Weyerhaeuser is not, so far as I know, a candidate in the last election, therefore I fail to see how the Bill can commit Weyerhaeuser to much of anything. So I . . .

An Hon. Member: — Well there's no agreement.

Mr. Shillington: — Well it's fairly obvious there's no commitment by Weyerhaeuser to a mill.

Mr. Minister, given your optimism, what capacity of

a mill do you hope to negotiate with Weyerhaeuser?

Hon. Mr. McLeod: — Mr. Chairman, the Bill is enabling legislation. The member . . . (inaudible interjection) . . . Your point, all right. Your point is very hard to see at any time, I can tell you that, Mr. Member from Regina Centre.

The Bill is enabling legislation. What this Bill enables the Government of Saskatchewan to do when passed is to enter into the agreements. Those agreement swill be entered into. Those agreements will be signed and they will be made public after that closing. I have said that.

They will be developing a paper-mill and the provision will be in the final agreement which says a paper-mill is part of the agreement. And there will be no agreements executed either relating to a guarantee or to the debenture. I've said that before; I've said that now on several occasions. The member still does not want to accept it.

(1245)

Mr. Shillington: — What capacity of a mill do you hope to negotiate? What are you looking for in return for the pulp-mill . . . (inaudible interjection) . . . Well, if that's said on the record, that would be very useful information. That would be very useful information is that was said on the record. What capacity of a mill do you hope to negotiate with Weyerhaeuser? What's the capacity of the mill which you hope they build?

Hon. Mr. McLeod: — Mr. Chairman, the capacity of the mill, of the paper-mill which will be built, will be 200,000 short tonnes of paper per year, and to put that into some perspective in terms of the industry in Canada, it will be the second largest paper-mill in this country, second only to one operated by Domtar at Windsor mills, Quebec.

Mr. Shillington: — I'm told by my colleagues that there's only one mill now in Canada. If that's the case this would have little difficulty in achieving the status of being second largest.

Hon. Mr. McLeod: — I'm not sure which of your colleagues you're listening too. I believe it was the member for Assiniboia-Gravelbourg who told you. If that's your research source, he says there are only two mills in Canada, I will say to you and I'm informed that there are seven or eight paper-mills in Canada. This one will be the second largest in the country.

Mr. Shillington: — If negotiations proceed with respect to the paper-mill, when do you hope to close the agreement, and when would you expect construction to start, Mr. Minister?

Hon. Mr. McLeod: — We've been over this a few times as well before, Mr. Chairman. But I have said that we expect the agreements to be closed in six to eight weeks from now, but as time goes here it'll soon be five to seven weeks if we carry on and continue as we are. But anyway it'll be six to eight weeks is what I said in the House a few days ago and continue to say now. And when do I expect construction? We are assured that construction of the

paper-mill will start, well, let's say immediately after closing of the agreements.

Mr. Shillington: — Mr. Minister, you've now got me somewhat puzzled by your tactics. Mr. Minister . . . Well given the nature of the tactics, I think they would puzzle anyone. Mr. Minister, I had assumed you were not giving us the master agreement, to which this is a schedule, because the master agreement contained only a soft commitment to the paper-mill. It appears to be wrong. It appears that the agreement, to which this is a schedule, contains no commitment at all. That appears to be what you're saying.

I therefore do not understand why you can't give us what, I think, you intended to give us, and that was the agreement itself and not the financial arrangements. The language which you used when you were giving us that suggested you were going to give us the statement of principles itself. What you gave us was the schedule to the statement of principles.

I now do not understand why you can't give us the principles of agreement itself. It would go a long way towards clearing up the many questions which are being asked, and might well shorten up this portion of committee of the whole.

So I ask you, Mr. Minister, what is there in the principles of the agreement that is going to embarrass you? What is it that you're refusing to give us?

Hon. Mr. McLeod: — Well I can assure the member that there is nothing that will embarrass me.

What I have said — and I've given the explanation before, and I stay with that — is that there are portions of the final agreement which are still being negotiated; those portions relating to some of the principles in the other principles of agreement to which schedule B, that you have a copy of, is a part. Right?

Now I know you understand this, but I know as well that you choose not to attempt to understand it, or you choose to pretend that you don't understand it.

So what I'm saying is that there is nothing — for certain — there is nothing that will embarrass myself or the government. And there's no question about that. And what I have said to you, you will know that very quickly because you will have the total agreement in your hands after closing.

Mr. Shillington: — Mr. Minister, I have two questions. Does the statement of principles mention the construction of a paper-mill? And if so, will you read that portion of the statement of principles into the record for us if you won't give us the whole agreement?

Hon. Mr. McLeod: — I won't, you know, because what this could logically lead to is, you say, well this clause and this clause, and I'll be reading the clauses out. So I won't do that, but I will say to you that there will be . . . in the final agreement that commitment will be there, and you'll see that at that time. Negotiations just cannot, negotiations cannot be conducted in this forum, nor will

they be conducted in this forum.

Mr. Shillington: — Well, what the minister is saying is he won't read this into the record because he's afraid that, if he does, he won't know how to say no to all my other requests. I say that I've got more faith in the minister's obstinacy than he does. You've done a fine job of saying no over some 10 hours of discussion on this Bill.

Mr. Minister, I suggest to you that there's nothing in the statement of principles about the mill — that this is simply optimism on your part. I also suggest to you that they got the mill here and now; that's theirs. And if this agreement is some way conditional, if the transfer of the mill is in some way conditional upon the building of the paper-mill, then I dearly wish you'd give us that portion, read it into the record if you like, and that will bring to an end one very serious question which we and members of the public have about this thing.

So if the transfer of the mill is conditional, the pulp-mill is conditional upon the building of the paper-mill, read that into the record. That will go a long way towards ending the confusion and questions which exist with respect to this bizarre agreement of yours.

Hon. Mr. McLeod: — Well, Mr. Chairman, we have said that we would provide that one portion, which I gave you, of the basic principles upon which an agreement can be struck. There are many aspects which continue to be under negotiation, and they will be, and we will not get into a clause by clause of divulging what's in the principles of agreement.

But we will, as I said before, you'll have the total agreement. And I know that even you, even the member from Regina Centre, who accuses me of being overly optimistic, I believe was your term. I would accuse you of being overly pessimistic because, as you are wont to do in most cases, mostly based on just the nature of your philosophy and your party and the rest of it, which is just pessimism based on a basic mistrust of people, and they just . . . on this trust.

Mr. Shillington: — I don't mistrust most people, Mr. Minister. I just distrust this government. I trust Weyerhaeuser to make the best possible deal for their shareholders; that is their responsibility. I do not trust this government to make the best possible deal for the taxpayers of Saskatchewan, which is your responsibility. I trust you only to make the best possible deal for your re-election; that's all I trust you to look out for.

Mr. Minister, I indeed am negative about this agreement unless I am assured that they're not going to get the pulp-mill and not build a paper-mill. If I have that assurance, that would clear up one important question. There's a couple of others, but it will clear up one very important question. It would clear up one important question if I had the assurance that they're not going to get the pulp-mill until the commitment to the paper-mill is unequivocal. If I had that assurance, that would answer one very important question. But the minister is obfuscating; he is avoiding the question. All I get from my request that we be given assurance of that is his statement that we're negative because we don't trust them.

Well I ask you, Mr. Chairman, who would trust them? We spent four years watching this government stumble from one disaster to another because they were overly optimistic. They came in to office, Mr. Chairman, with a promise to cut sales tax — eliminate sales tax if I recall it — cut income tax by 10 per cent; going to bring power out to all of the farms . . .

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

Mr. Shillington: — Let me say that we are being asked to trust this government's optimism. I say that this province has suffered a good deal by trusting their optimism. The public trusted this government in the last election to deliver on their promises. I was pointing out, Mr. chairman, that their track record is not very good. Now they want us to trust them again. They want us to trust them on their promise to deliver a pulp-mill, and I say that, given their track record, you'd have to be a fool of the highest order to trust this government to deliver on its promises . . . (inaudible interjection) . . .

Well I would like to find that out. I wish you people would call an election. The member from Lloydminster wants to know how the people would vote. I would love to find that out. I say for a quarter of a billion dollars you ought to call an election. This is an appropriate issue about which to call an election. This is not small potatoes. This is very, very tall cotton we're dealing with. This is a perfectly appropriate issue about which to call an election, and I say to members opposite: if you're confident that you can sell the agreement, then call an election. Call an election. This is quite an appropriate issue about which to call an election.

You are not going to call an election because you refuse to justify this Bill. You absolutely refuse to do it. The minister stands here in the Legislative Assembly making a mockery out of this place, talking about irrelevancies, refusing to answer questions — questions which are perfectly legitimate and which are on the mouths of a lot of people in Saskatchewan.

And if members don't think that they are going to meet some hard questions about this thing, then I tell you, you've spent too long in this place and some more of you should start wrapping up some of these record bad attendances that some members are guilty of.

I say to members opposite, if you expect anyone at this point in time to trust you, then you're dreaming. This is not 1982. You don't approach this issue with an unwritten record. You came into office in 1982 with virtually no record at all — a full half century since you'd ever been in office — and so you were trusted, because people didn't know what kind of buffoons you were.

I say in 1986 it's a different ball game. Very, very few people, outside Conservative Party stalwarts, are prepared to trust you people because they've seen what you've done. They've seen you come into office promising tax cuts.

An Hon. Member: — Weyerhaeuser trusts you.

Mr. Shillington: — Weyerhaeuser trusts you. One of the members opposite says that Weyerhaeuser trusts you. Well I'll tell you, if anyone is prepared to give me a quarter of a billion dollars, I'll trust you. You've got my promise, if you'll give me this deal, I'll trust you.

I had an individual say to me the other day, who has the same financial circumstances as I do virtually, he said to me: I could enter into this agreement in good conscience because I could carry out this agreement — and he could. It doesn't require a cent from Weyerhaeuser, not a cent from Weyerhaeuser.

I might not have the management ability to run the pulp-mill, but I could in all conscience enter into that agreement knowing that I could carry out the financial terms of that agreement.

So I say to members opposite, if you think we or the public are going to trust you to negotiate a good deal, then you're dreaming. The public did that in '82 and they're not going to do it in 1986.

Mr. Chairman, I think it's time I moved that we rise, report progress and ask for leave to sit again.

The committee reported progress.

The Assembly adjourned at 1:02 p.m.