

July 16, 1987

EVENING SITTING

COMMITTEE OF FINANCE

Consolidated Fund Budgetary Expenditure

Energy and Mines

Ordinary Expenditure — Vote 23

Mr. Chairman: — Order. the question before the committee is estimates for Energy and Mines. Would the minister introduce her officials.

Item 1

Hon. Mrs. Smith: — Thank you, Mr. Chairman. Tonight in going into Energy and Mines estimates, I have with me some officials from the department. And I would like to introduce to you and to the members opposite. To my immediate right, Mr. Bob Reid, the deputy minister of Energy and Mines; to my immediate left is Mr. Bruce Wilson, the executive director of the petroleum and natural gas division; and right behind me I have Mr. Ray Clayton, the associate deputy minister. With those introductions, Mr. Chairman, I will forego any other remarks and be open to questions.

Mr. Rolfes: — Mr. Chairman, Mr. Minister, I don't intend to give up my opportunity to make some opening remarks. And if the Deputy Premier just would accommodate us, I'm sure that in about three or four weeks, we should be able to get through these estimates quite easily.

Madam Minister, we are this side of the House have a keen interest in what has happened over the last five or six years in the non-renewable resources, and as it pertains to what I have described in the budget debate earlier this year as some of your inane and unsound policies in regards to non-renewable resources.

I stated, Madam Minister, in the budget debate that you are only the custodian for the people of this province. The people of this province, the residents, they are the owners. And it is your job, Madam Minister, your government's job to see to it that the people get the best returns for their non-renewable resource.

And, Madam Minister, it is my contention that not only have you failed in not doing your job in this regard, but that you have failed miserably. And you certainly don't deserve, in that area, in the non-renewable resources, you don't deserve to be the government.

Madam Minister, I want to this evening dispel two myths — two myths that could be classified not as myths, but outright untruths that have been perpetrated upon the people by your government, and particularly, by one of your former ministers of Energy and Mines, the present member from Weyburn.

I want to, Madam Minister, show the people of this province that you have got very little in return for your open-for-business policy in the energy field. Had you done absolutely nothing when you took office in 1982, and left things alone the way they were, we would be

much better off today financially. And Madam Minister, we would, in addition to that, probably have another 400 million barrels of unrenewable oil in this province, that you people gave away.

Some Hon. Members: — Hear, hear!

Mr. Rolfes: — The facts bear this out. The facts, Madam Minister, bear this out. I will give you these facts over the next two or three weeks. I don't intend to give them to you all tonight.

Madam Minister, your Premier and your ministers of Energy, the member from Weyburn and the former member from Saskatoon Sutherland, have gone around this province and told the people that one of the reasons that we are in a financial mess in this province is because of international events. Oil prices have gone down, they say, and therefore we can't expect the oil companies to pay any more revenues to the province. That is not only an untruth . . . I would say it's an outright untruth, Mr. Chairman. this House will not permit me to use any stronger language than that.

But I want to the minister that from 1971 to 1982, we had some of the lowest oil prices in the history of this province; that from 1982 to 1985 you had some of the highest oil prices ever. Those are facts that I will present to you, and you have them already. You have them already. Oil prices in this province and in this country and in North America and the world, only went down in November of 1985 because of the intervention of OPEC (Organization of Petroleum Exporting Countries). That's when all prices went down. But from 1982, 1983, 1984, and up till November of 1985, you had the advantage of having the average price of oil at about \$27 a barrel — \$27 a barrel. And you know what the price of oil was from 1971 to 1982 when we were the government, on average? It wasn't \$27 a barrel; it wasn't \$40 a barrel, like you like to have the people believe. The price of oil was a little over \$10 a barrel, on average . . . (inaudible interjection) . . .

I see the member from Lloydminster has all the answers, but I would like him to get up in the estimates and tell us why the people of this province had to forego approximately \$1.5 billion dollars because of your unsound policies on all royalties.

Why, Madam Minister? Why, Madam Minister? Tell the people of this province. Would you think that all companies who in 1982 were paying, were paying 59 per cent of the value of oil — 59 per cent of the value of oil in 1982 went to the people of this province. Why today does it have to be less than 20 per cent? In fact, we don't know exactly what it will be for this year but I would venture to guess it will probably be in the range of 15 to 17 per cent. Why?

An Hon. Member: — Ask the industry.

Mr. Rolfes: — Oh, the member from Lloydminster gave me the answer. He said, ask the industry. Well, Madam Minister, surely, surely the industry isn't going to tell you that they can afford to pay 59 per cent. They're going to

try and squeeze out everything they can from you and if that is where you listen to only the industry, I can well understand, I can well understand, Madam Minister, why you are presently at 15 to 18 per cent. And because you made those policies in regards to oil revenue, we have foregone in the neighbourhood of \$1.5 billion dollars — \$1.5 billion dollars, Madam Minister — \$1.5 billion dollars that you could have used for that long hospital waiting list that we had; \$1.5 million, Madam Minister, that you could have used to continue the dental plan in this province; \$1.5 million, Madam Minister, that you could have used, that you could have used in the drug plan of this province.

Madam Minister, I want to tell you that because of your policies the people of this province are the ones, the people of the province are the ones that are paying the penalty. They are the owners. They have the right, Madam Minister, to expect of you to give them the best return for this non-renewable resource that they can get, and you have not done that. You have not done that.

Madam Minister, I'm sure that the present Minister of Health would have been very pleased if you had implemented a policy that would have given us more revenue for this province so that he wouldn't have to have 10,000 people on the waiting list in Saskatoon — 10,000 people.

Madam Minister, I'm sure that the present Minister of Education would like to have had another \$100 million for education. The universities of Regina and the universities of Saskatchewan certainly could have used an additional 10 or \$20 million so that they wouldn't have to cut home economic programs, so that they wouldn't have to put quotas on various colleges so our children in this province can't attend the University of Saskatchewan here. And that's a fact, Madam Minister. They can't get into the university today because of the lack of moneys that are available to our universities.

And I say to you, it is irresponsible on your part, irresponsible on the part of your government to not implement policies which would get from the oil the highest revenues for the people of this province. That is unforgivable and you will have to answer to the people for this. Your open-for-business policy has been a blunder. It has been a failure. There is no other words for it. We've got some of the lowest investment in this province, all across Canada. And those aren't my statistics; those come out from Statistics Canada. We have the greatest outpouring of people from this province since the Dirty Thirties, and that's a fact. That's a fact.

Now, Madam Minister, I want to tell you, it was up to you. You have a portfolio, Madam Minister, that could change around the economy in this province if you implemented the right policies, but you wouldn't do it. And I say to you that you have been irresponsible in your duties as Minister of Energy.

Madam Minister, I have indicated to you already that . . . And we hear members on that side saying, oh, yes, when the oil prices were high in the '70s you people didn't do this, and you didn't do that. I have indicated to you already that for the most part, the price of a barrel of oil

was around \$3 and some cents. The figures are recorded in many statistics. You can take them out yourself. I've got them in my box here. And for the most part, from 1982 to 1985, had \$27 a barrel. And yet you didn't implement the policies that would reap the benefits for the people of this province.

I think, Mr. Chairman, Mr. Minister — Madam Minister, that somewhere along the line in 1982-83 a state of dementia must have set in on the Executive Council. No reasonable individual, no reasonable Cabinet would have foregone all those moneys that you could have received for the people of this province. You couldn't have. I say that your decision and your policies were irrational, that they weren't based on what the companies and the multinationals, particularly were able to pay.

Madam Minister, surely you have looked at the records. When you look at Imperial Oil and you look at Shell and you look at Texaco and Gulf, you can't say that those people and those companies haven't made sufficient funds. Oh, sure, they cry that their profits have gone down by 40 per cent, but look at what their profits were.

And what I'm saying to you is that you shouldn't look at those big companies, you should be out there protecting the small companies of Saskatchewan, the ones that won't pull out, the ones that won't pull out when the going gets tough. Those are the ones you should be protecting, our own Saskatchewan companies, and not the multinationals.

Oh, I have looked at Pacific railway, Minister of Health, and I know what they've given your party last year for revenues, donations to your particular party. And I can understand, I can understand why you think you owe some obligation to protect their interests. Hundreds of thousands of dollars in donations have been given by these multinationals to your party. And I can understand why you're doing that. But you're not here at custodians for those multinationals. You're here as custodians for the people of this province, and don't you ever forget that. And you're not carrying out your responsibility of seeing to it that you get adequate funds from the Energy department so you can service the hospitals. That's your responsibility.

Some Hon. Members: — Hear, hear!

Mr. Rolfes: — That's your responsibility.

Now I want to tell the Minister of Health, I have a few words to say to you when it comes to your estimates, too.

Now, Mr. Chairman, it has been said, and I think it's been said by your former minister of Energy, that the oil industry and the oil companies were to be the engine of growth, for economic growth in this province. I want the minister to tell me if she agrees with the former minister of Health, the hon. Paul Schoenhals, that the oil companies should be the engine of economic growth. And I want her to bear out for me, prove to me, that that expression has come to fruition. And if she can do that, how do you reconcile that with the fact that we have either the worst or the second-worst economic growth in the country?

(1915)

Now you say that, well, we've got to make these royalty concessions because if we don't do it, then there will be no drilling. No, the companies simply aren't going to drill. And I have to admit, Madam Minister, I know what you're going to say, look at all the oil wells that were drilled, and that is true. One of the things you did, however, you changed the spacings on it. And when you gave concessions in the royalties, why wouldn't the oil companies be smart enough to say, well if you're going to let us drill a hole on every 40 acres — we know there's proven oil there, for the most part; it's not always true, but for the most part it is — why wouldn't they drill the wells?

So you can brag all you want about the number of oil wells that you drilled. I will say to you that many, many of those were infill oil wells. They weren't new oil that they were drilling. They were simply pumping out the oil out of the same wells underneath the ground, except they were pumping it out at a faster rate. And you were gracious enough to say, well if you do that, I will give you royalty concessions. Why wouldn't they do it?

Now what I'm saying to you, Madam Minister, is that you got rid of about 400 million barrels of oil and you've got nothing for it. You should have received an additional \$1.5 billion — half of your deficit right now — and the people of this province would have benefited. Why, in this last budget, did you think it was necessary, Madam Minister, and your other colleagues, to add an additional 300 million in taxes to the ordinary people of this province and yet give concessions of 300 million to the oil companies? Now is that fair? I can't for the love of me see why you would attempt to do something like that.

And yet, Madam Minister, you say that the oil companies are going to respond. I want you to tell me how they've responded to the concessions that you gave them last December 23. And while I'm on that, Madam Minister, the tradition in this House usually is, when we're in session and a minister has an announcement to make, she at least has the courage to make that announcement in the House and give the opposition an opportunity to respond, which you didn't have. You made that announcement at 1 o'clock on December 23, knowing full well that we would be sitting in this House, and I heard about it from the media after question period at 2:30. You didn't have the courage to come into this House and make that announcement. You had to call it at 1 o'clock and wouldn't do it this House.

Madam . . . There comes the Minister of Health again. I wish you'd take care of the waiting lists in the hospital, Minister of Health. There are 10,000 people waiting for surgery in Saskatoon, minister. We would really appreciate if you came to grips with those things. Madam Minister, I would like you to answer some of those questions for me and I'll give you an opportunity to respond.

Some Hon. Members: — Hear, hear!

Hon. Mrs. Smith: — Mr. Chairman, the energy critic has asked for a response to some questions, and I quite frankly

have to admit, I don't know where to begin in terms of what was said and the various questions that were asked.

Let's begin, Mr. Chairman, by asking ourselves what an industry is for and the various components to it. Now the member from Saskatoon says that the right policies — the right policies — if you'd only put the right policies in, then something would be working. Well, let's examine; he says, convince him.

My guess is you could lay out every factual figure that you could find out of finance and the Department of Energy, and the member would still ignore it, given the nature of what they perceive the opposition's role to be. And that's unfortunate in terms of this setting and, in fact, the true role of opposition as it pertains to government.

Right policies, the member says. Let's review. Let's review, Mr. Chairman. What would he like us to put in, in terms of right policies? I mean we all have our opinions on how we think the world should operate; we all have our opinions on what basic economics is. And I can tell you right now that mine are not the same as the member opposite, and thank heavens for that.

Some Hon. Members: — Hear, hear!

Hon. Mrs. Smith: — I can tell you, Mr. Chairman, if they were, we would be without 5,000 — 5,000, Mr. Member from Saskatoon — people working within the industry. He sees the industry as the big bad oil company.

Mr. Chairman, we see the industry as people, and it's people that range from the service and supply companies to the waitresses, to the hotels in small-town Saskatchewan. That's what the industry is all about. It's not a cash cow; it's not the goose that laid the golden egg from the NDP policies; it's nothing like that, Mr. Member. It's people trying to make a living and an honest living at that, in a sometimes very risky industry.

Now obviously, Mr. Chairman, there's other aspects of the industry that are of benefit to all people in the province. One of them is investment and royalties that come into provincial government. What the member seems to have forgotten when he wants to talk about the conservative program versus what the NDP might have done is that nothing would have happened under the NDP. It wouldn't have been there when the price of oil started to go. And we know that. I only have to go back, Mr. Member, to 1971, to 1974, again in 1978, and again in 1981, when we saw a mass exodus of young people, middle-aged people, male, female, and children leave this province from the industry.

Now you want to talk about right policies. I suggest that the Leader of the Opposition has a differing opinion that the member from Saskatoon. Perhaps the two should get their act together.

An Hon. Member: — Tell me what they are.

Hon. Mrs. Smith: — Well, I'd love to tell you what they are. The NDP energy philosophies, energy philosophies for the NDP . . . Now what is it? Well, the opposition leader says, we have no objection to tax holiday

incentives for exploration, we have no objection. You have just stood there and shot your mouth off that you have objected to those kinds of incentives. Now at least be consistent.

What else do they say, Mr. Chairman? Well the NDP leader goes on to suggest that perhaps there were some errors made in the 1970s. Well they believed in incentives, they implemented them, but it was also for dry hole. Today he reflects upon that experience and he's not so sure that the dry holes were the way to go.

Well I want to tell you, dry holes should not be the way to go with my taxpayers' dollars, or anybody else that lives in this province.

Some Hon. Members: — Hear, hear!

Hon. Mrs. Smith: — However, he does believe in generous incentives. And that's generous when you get paid to drill a dry hole. Now what did the province get out of that? They got no oil, they didn't increase the reserves, they get no royalty, and there's no spin-off job from having a well produced for several years after.

Well, Mr. Chairman, it's unfortunate that the member from Saskatoon has not done his homework in an appropriate manner, and nor has he discussed, perhaps, some of the philosophies with his leader.

I would also like to point out to the member opposite that apparently the Leader of the NDP provincial party does not agree with him also, as he has a few things to say on the NDP philosophy on energy that does not add up to the member from Saskatoon.

The member has suggested that we have sold out — sold out, Mr. Chairman — and he says convince him of otherwise. Well perhaps if he'd be so kind as to listen, and maybe he would like to take note of the figures.

An Hon. Member: — I've got that all done.

Hon. Mrs. Smith: — He's done that. Well I don't know how because I haven't given them to you yet. He's one up for a change.

Mr. Chairman, one of the things that one must be ever mindful of is that when you are looking at building an industry, and not just for the sake of an industry but for the sake of the spin-offs that come with it, and that includes revenues to operate the social side of social policy that government must do — issues like health and issues like education . . . The member knows that as a schoolteacher that the education and health tax collected does not pay the total bill for education. He knows that. So the revenues must come from somewhere. One of them is the resources and one is oil royalties, Mr. Chairman.

Our incentive package that was put into place, including the royalty holiday, I want to touch on about four aspects of it because it's not simply a government take. First of all there's increased investment within the province. For the member opposite, it was \$1.8 billion in 1985.

Jobs. There was 15,000 in 1985, and 4,900 incremental

jobs. Mr. Chairman, in 1987 — and he says, what has happened since December of 1986? — we have 10,300 jobs in 1987. I don't think the member would believe me if I were to tell him that if the changes had not been made in December, there would have been another 5,000 jobs lost on that 10,000. I don't think he believes it. However, the figures are there. All I ask him to do is consult with the industry, and if in fact he does it.

Mr. Chairman, let's have a look at reserves. Reserves are a telling picture. I'm sure the member from Regina Centre may know that. I don't know about the member from Saskatoon.

An Hon. Member: — Which one?

Hon. Mrs. Smith: — The member from Saskatoon South. Interestingly enough, if you take a look at the statistics, Mr. Chairman, you will note that over the NDP years the reserves were going down. We were pumping oil — I don't deny that — and there were some new wells every year, but there was not a growing industry with its own infrastructure under the NDP. That went west in about 1974. Some of it came back, but not to the point where it created a viable, self-sustaining industry on its own.

Along with that, Mr. Chairman, the reserves . . . (inaudible interjection) . . . I am looking at the bottom line, to the member from Regina Rosemont. He's interested in the bottom line; is he interested in listening? Those reserves, Mr. Chairman, went down, down. Now if there are no reserves, what are you going to pump to put money into the provincial coffers? Where are you going to get it if there's no reserves?

An Hon. Member: — They're still there.

Hon. Mrs. Smith: — He says they're still there. What did I just say? I said they were deleted, they went down. You were pumping oil, but you weren't drilling more, and you were running out of oil. That's the bottom line.

Mr. Chairman, he's had a half-day trip to Weyburn, and I believe that he needs to take a few more into the field to find out what's going on, if he does not believe a simple statistic like that.

Mr. Chairman, I want to give you some stats on the recoverable reserves. In 1972 there were 823.7 million barrels. By 1978, Mr. Chairman, there were 683.1 million barrels of remaining recoverable reserves. Mr. Chairman, by 1982 that figure had once again dropped again to 618.3 million barrels. And Mr. Chairman, it wasn't until 1983 that we began to see an increase of 642 million barrels, until finally by 1985 we were back up to 704.

And, Mr. Chairman, that is a degree of protection in terms of revenues for the future, and it is a diversification mechanism that allows one more industry into this province to continue to grow. That is not easily understood from my colleagues across the way.

Well, what else did the member from Saskatoon touch on? Mr. Chairman, he referred to low oil prices from 1971 to '74, I believe, if I remember right what he said. He may correct me.

(1930)

Yes, indeed, the price of oil was lower. But let's talk about what else was lower. Input costs were lower, salaries were lower, and taxes were lower. That was over a decade ago. I mean, everything is relative, but that is never told in the picture that the member portrays to paint. And that's very unfortunate, Mr. Speaker.

Mr. Speaker, when you take a look at the world oil prices, and that obviously has some effect on the kind of activity that's going to take place, we only have to take a look at the major producer in this country of ours — which is our western neighbour, the province of Alberta — to know what in fact the world price can do to a major industry within that province, and certainly one that affected the Alberta provincial revenues, to know that you're not isolated. And in fact if anything, the world perhaps is growing smaller because of the technology and the communication links that are in place.

We know that the policies that we put into place in this province cannot ignore what is happening outside of our boundaries. That is a simple reality. We don't have a Berlin Wall, thank heavens, and nor will we have in the future if the people on this side of the House have anything to say about it.

But to pretend that those policies can be put into place in isolation of competition, of other markets, other provinces, and in fact other countries, is absolutely lubricious. No wonder we didn't have an industry prior to 1982. No wonder. The facts speak for themselves.

Well the member says look at the revenues. Let's look at the revenues. Let's take a good look at the revenues. And that will include things like the export tax. The member from Regina Rosemont may not remember it. I'm sure if this one gives some thought, he will remember and he will see that in fact their revenues did not meet the same level as they did when the activity was on the go in '83, '84, and '85. Just take a look with an open mind and your eyes open on it, with all factors considered as to what constituted the revenue under the NDP, Mr. Chairman.

Mr. Chairman, I'm sure the member from Saskatoon South has various other things that he would like to talk to tonight, and perhaps has some specific questions.

I want to respond to one further, Mr. Chairman, and that is, the member from Saskatoon South has said, why do you only think of companies like Shell, Texaco I believe was one of them, and the big companies? We don't, Mr. Speaker — Mr. Chairman, I'm sorry.

I think the member will be pleased to know that in fact under our term of government, that the majors have declined as a portion of our industry since 1982. And that's a fact. It's not rhetoric, it's a fact. And if he would like to examine the books, the books are open for him to have a look at. However, I suspect he'll choose to use his own figures and to say what he thinks that he wants them to say without looking at the facts.

Mr. Chairman, I believe that answers some of the

member's questions, and if he has any more, we'll take them.

Mr. Rolfes: — Mr. Chairman, Madam Minister, if I wouldn't have had any more to say than you just finished saying, I wouldn't have made any opening remarks either.

Some Hon. Members: — Hear, hear!

Mr. Rolfes: — Madam Minister, you asked, what is an industry for? I'll tell you what an industry is for. First of all, from an industry point of view, it's to make profits to protect their interests. And I don't blame them for that; that's the economic reality.

You know, I've studied a little bit of economics myself, Madam Minister . . . (inaudible interjection) . . . Yes, I agree, I agree that there are different economic processes and different economic systems.

But I think you should also remember that *laissez-faire* economic theory went out the window a long time ago. In fact, it didn't even outlast Adam Smith, who brought it in. But you — you seem to be of the opinion, Madam Minister, that the open-for-business policy has to be the *laissez-faire* policy where you don't protect the interests of the residents of this province, but that your job is to protect the oil companies.

And I'm saying to you, Madam Minister, that is not your job. The oil companies will take care of themselves. And if they can't make a buck in this province, they won't be around.

And I can tell you, Madam Minister, that an industry . . . what is an industry for? As I said, it's there to make profits for the companies.

But an industry is also there to create jobs in this province. And I don't deny it that you created some jobs in the oilfields. No one denies that, I'm simply saying to you, Madam Minister, the number of jobs that you created and the revenues that you gave up, the price was too high for the people of this province. The price was too high.

You aren't dealing with a non-renewable resource. And that resource, if I listen to the people in the industry, and I listen to the minister of Alberta — the minister from Alberta believes that they're going to run out of conventional oil by the 1990s.

You've got to get your head out of the sand, and also realize that the oil in this province is also limited. But if you give it away and don't get your fair share of return, then what's the benefit of drilling all those oil wells? You've got to get the maximum that you can for the limited oil that we have.

The third thing, Madam Minister, what an industry is for. First, to make profits for themselves; secondly, to create jobs; thirdly, is to return revenues for the resource that is owned by the people of this province. That's the three things that an industry is for.

Now, Madam Minister, I did not say . . . And I think you

are totally unfair when you say that, that I said that the industry was a big, bad industry. I didn't say that at all. I separated . . . (inaudible interjection) . . . I don't expect the Deputy Premier to understand that. It's much beyond his level of competence so I wish he would just stay where he is and keep out of this discussion.

But, Madam Minister, I did separate, I did separate the multinational corporations from the small oil companies that make their living and reside in this province. What I'm saying to you is that the multinationals have over the history, not of this province, but over their history, have always gone where they can maximize their profits. They are not here for our benefits and for our good; they are here to maximize the profits for themselves. And if you are going to shape your royalty policies so that you satisfy the multinationals, then I pity the poor people of this province because we're not going to get very much in return. And that is what I think you have done.

The member from Lloydminster is absolutely correct when he says you listen to the oil companies. You listened to the oil companies, you took their advice, and you made bad policy — bad policy for the people of this province. And had you, as I said before, done nothing, had the Premier not appointed an Energy minister, this province today would be much better off than it is now, because you changed the policy. Had you left that policy in place we'd be much better off today.

Madam Minister, I recognize that this is a risky business. I used to work for an oil company some time ago and I know it's a risky business. And I know that every time you sink an oil well you're not going to strike oil. Madam Minister tried to leave the impression that there were dry holes drilled when we were the government. Of course there were.

And I want to ask the minister, I want to ask the minister: how many dry holes were drilled this year under your policy? I want you to answer that for me. How many dry holes were drilled under your policy, both natural gas and crude oil . . . (inaudible interjection) . . . No, I've got a number of things I want to say to Madam Minister.

Madam Minister, you say that under our government there was an exodus of people from this province. It's true. It's true. I don't deny that. There has been an exodus from this province, of people, since the 1930s.

But I remember a certain individual in 1982 saying, let's bring the children back home; let's give them an opportunity to work in this province; we are going to have an open-for-business policy and we're going to bring all those children back home. I'll tell the member from Arm River, who seems to be agreeing, that there are more young people leaving this province today than ever before. Those are the facts from Statistics Canada. All you have to do is go to Statistics Canada and they'll give you those figures.

More people leaving. We have a net, we had a net out-migration last year of 12,000 people — net out-migration of 12,000 people — the largest, the largest in the history of this province. Those, Madam Minister, are facts. Those are facts.

Madam Minister, you said that you were only paying for . . . or your royalty changes last year were geared for exploration. And if you remember, after the press gave me an opportunity to have a look at your statement which you didn't have the courtesy to make in this House, I told the press that I agreed with your statement on exploration and your concessions to the oil companies, to the oil companies residing in this province. The small oil companies needed a concession for exploration wells. I told you I agreed with that.

Where I disagreed with your policy was to give concession for oil companies to reduce the spacings for oil wells to be drilled so that you're simply drilling more wells in known oil wells already. That is what was wrong with your policy. You didn't need to give those concessions, but you did. And I don't know why you did.

Now the minister says that the Leader of the NDP disagrees with my statement. And I want to say to the minister that if she continues on that line, I will read the statement made to the former member of Shaunavon, our present leader of the NDP. I've got it in my box here. He made the statement to *Oilweek*. I am following what he said and there has been no change in our policy on this side.

(1945)

Madam Minister, you say that there has been an increase in investment in this province. That again is simply not borne out — that is simply not borne out by Statistics Canada. I don't know why you won't look at those facts. You have one of the lowest investment in this province in all of Canada. I think there is only one other province, only one other province that has a lower investment from outside. And you have one of the slowest, the slowest economic growth in all of Canada — the slowest.

And you know who has the fastest? And you know who has the fastest economic growth in all of Canada?

An Hon. Member: — Who? Who?

Mr. Rolfes: — Manitoba. Manitoba.

An Hon. Member: — What kind of government is there in Manitoba?

Mr. Rolfes: — Oh that's an NDP government. You know, those people that are so anti-business. But, you know, those businesses are coming into Manitoba. And I want to say to the Deputy Premier, he should listen to what Jim Chase had to say this morning. And I think you know who Jim Chase is.

An Hon. Member: — He's your friend.

Mr. Rolfes: — He's my friend all right. And I know what Jim Chase said this morning. He said this morning, with all the cuts that are going on and no incentives by the government, he said, well the government expects the private enterprise to fill the gap. He said, private enterprise has never done that and they won't do it. That was Jim Chase, and I don't think Jim Chase is a socialist.

At least he hasn't been; he wasn't a socialist when I knew him some years ago.

And I'm saying to the Deputy Premier that what we need in this province is some sane policies that set up a mixed economy while we have the public interest investments going on, and private. You don't have to exclude . . .

Some Hon. Members: — Hear, hear!

Mr. Rolfes: — You don't have to exclude from your oil royalty policies the investment of the public. And I'm saying — I know it was above your head and you can only endure so much — but I'm saying to the minister is that I believe that you can use the public purse and you can use Crown corporations like Saskoil to take up some of the slack, which you refuse to do.

What do you do with Saskoil? Instead of using \$66 million of investment here, you secure jobs in the province of Alberta, make sure that those jobs are secure. But in the meantime you fire the people from the Government of Saskatchewan, thousands of people from the province of Saskatchewan, so that they have to go to Alberta for security of jobs because of investment of Saskoil in Alberta.

Now that's the wrong policy. That's not looking out for the interests of the people of this province. That's looking out for the interests of the people of Alberta, who you owe nothing. They didn't elect you. The people of this province elected you, and you have the obligation to protect their interest.

Madam Minister, you also said there was no infrastructure here in 1982. That really escapes me. How could we have, how could we have production of between 60 and 780 million barrels of oil — how could we have that? And how could we have over \$800 million in revenue, and how could we have the oil companies here drilling those wells if there was no infrastructure? That really escapes me.

Oh, did you improve the infrastructure? Certainly you did. There is no argument with that. I'm saying to you is the price was too high. The price was too high, the jobs were short term, and when the industry turned down, the companies pulled out.

And they threatened you last year again — if you don't give us additional oil royalty holidays, we're going to move out. So what do you do? You cave in to their demands. Instead of using the public purse to use a public vehicle, you cave in to the oil industry. And I'm saying to you, Madam Minister, that that's the wrong policy.

Now you say that we didn't have the reserves in 1982. I don't know where those reserves of oil came from that you people have discovered since that time. Did someone pump them in from Alberta? Where did those reserves come from? That oil was underneath there, and it wasn't rotting, it wasn't spoiling. All I'm saying to you is that in matter of time, and even if we had not increased our drilling more than 800-and-some barrels a year, that oil would have been discovered.

And all I'm saying to you is that the major discoveries, the major discoveries by Lasmo and Home and Petro-Canada have absolutely nothing — well, I shouldn't go quite that far, it's not fair — have very little to do with the royalty changes that you made last December. Very little. So what I'm saying to you, Madam Minister, simply is that you didn't need to make all those concessions.

And I want to . . . The minister says that our revenues in 1982 weren't nearly as high, and that there was an export tax that accounted for a large portion of that. And I agree with here — it was. But who negotiated that export tax with the federal government? Oh, it wasn't simply handed to us by the federal Liberal government. It was negotiated by Allan Blakeney, the then premier of this province; and that was negotiated with the federal government, and those revenues came to this province. So I'm saying that the minister is simply unfair when she makes those accusations that there wasn't an infrastructure.

I want to ask the minister now, if she can: what were the concessions? If you add up all the concessions . . . You may not be able to give me this answer tonight, but within the next week or so . . . well, next couple of days. What were all the concessions that were made over the last number of years, let's say the last five years, by doing away with the PGRT (petroleum and gas revenue tax); by policies implemented, let's say, by the Alberta government; policies implemented by the Saskatchewan government; and policies implemented by the federal government just recently.

How many billions of dollars, how many billions of dollars . . . And I'm not asking, Madam Minister, I'm not asking that you give these to me in the closest million dollars. I don't even ask you to give it to me in the closest hundred million dollars. I want an approximate figure of the concessions that have been made to the oil industries by the federal government, Alberta government, and Saskatchewan government.

Now, Madam Minister, would you tell me, Madam Minister, what would have been the revenues accrued to this province over the last five years if the production of oil had not increased — stayed at 9.3 million cubic meters — but the rate of return on that production had stayed at the rate in was in 1982? Do I make myself clear? I want to know what the revenues would have been to the province if there had been no increase in production — no increase in the production; would have stayed at 808 wells drilled per year — and you would have asked the rate of return that we had in 1982. What would have been the revenues to the province to date?

Hon. Mrs. Smith: — Mr. Chairman, the member from Saskatoon South has touched on several points: such things as the rates, the incentive comparisons, infill wells — he talks about Manitoba; maybe we should spend some time talking about that — plus the infrastructure.

Let me go back to where he started, and that is with the rates. The member from Saskatoon South may find it interesting if he were to in fact examine the records on the structure, say, from 1982 to 1986, and in the three categories that oil is priced at: oil, the new oil, and the heavy new oil. Nineteen eighty-two, on the old oil, the

percentage for the royalty was 39.7; 1986, Mr. Chairman, the percentage was 40.3 per cent. I don't think the member from Saskatoon South is understanding how the royalty structure in fact actually works.

If you go down to heavy oil, which is by far the majority of oil in the province of Saskatchewan: 1982 was 27.3, and by 1986 it was 27.4. I really think that the member . . . I would be glad to sit down with him or have some of the Energy officials talk to him in fact how the royalty structure works.

Mr. Chairman, on the incentive comparisons, the member also talks about Manitoba. And I want to talk about Manitoba as it relates to the incentives. Back in November of 1986, the price of oil had gone as far down as what I guess everybody was hoping, that it couldn't go any further. It was at that time that all producing provinces became concerned about the people that in fact were working within the industry, and the revenues as it impacted upon the government. Alberta took a look at theirs and by far had the most to lose; and took a look at the incentive program on the royalty holiday that we had put into place; and took that program and developed it to even a greater period of time for their own province than what was in Saskatchewan.

We at the time, Mr. chairman, still had our royalty holiday in place, but we were having some difficulty with the price of oil being low, or wells being shut up, because the sad reality is that if the well is not pumping, the province collects nothing from that well. Not only does the province not collect it, but the R.M. is not going to be collecting anything in terms of taxation, with the R.M. that well is in.

Manitoba, Mr. Deputy Chairman, also took a look at incentives, and interestingly enough, put in a royalty holiday, did some adjustments with their royalty structure, and basically adopted our incentives. But, Mr. Member from Saskatoon South, they went one step further, and we find that they were much more generous than what the Saskatchewan policy is on developmental wells, which are the ones that you've been talking about.

Mr. Deputy Chairman, I think the member from Saskatoon South would find it interesting to know that on infill or developmental wells, that we reduce spacings only when there is complete evidence that new reserves that would not otherwise be recovered will be recovered, and that's 80 acres to 40.

I think he would also find it interesting to know that those types of wells are by far less than 10 per cent of the oil wells within the province of Saskatchewan.

He might also find it interesting to know that Manitoba starts at 40 acres even, and I find it interesting in listening to his criticisms.

Mr. Chairman, when I talked about the infrastructure — and the member from Saskatoon South has related to some of it, not believing what I said that there wasn't infrastructure there . . . And I'm going to point out that in fact this province did not build a good infrastructure in the days when the resource development was beginning to

reach its maximum. and I think he has only to go outside of Regina to some of the other communities to in fact find out that it takes a period of time to build in sound infrastructure that will remain through good times and bad, but it does take a period of time.

Now, Mr. Chairman, I will also tell the member that we still don't have, in total, the infrastructure that the industry should have. Now he says, how did they do all these things? They brought them in from Alberta, Mr. Chairman; it was that simple — that simple.

(2000)

An Hon. Member: — What's missing? Tell us what's missing.

Hon. Mrs. Smith: — Well, the member says tell him what's missing. I would say about 20-plus members from the opposition tonight.

Mr. Speaker, the member asked me . . . I had never referred that we, in this government that there were no dry holes drilled — okay? — in our term. I never said that.

An Hon. Member: — You sure did.

Hon. Mrs. Smith: — No I didn't. And you go back and you check *Hansard*, okay? What I said was, we did not pay for dry holes.

Now I'm going to refresh your memory. You've tried to refresh mine and I'm bright and awake; let me do the same for you. Your policy and incentive program in 1981 was to pay for 75 per cent of the actual cost of drilling a well and that included dry holes — 75 per cent. Now that's on record; I'm not stretching the truth; it's not an exaggeration. I'm simply telling you, or reminding you, what your policy was.

Of course, when the companies go to drill, they know that have a risk of hitting no oil. But I don't know of too many governments that have ever agreed to pay for 75 per cent of the cost of drilling that dry hole for them. I can't think of too many, other than the NDP government in 1981.

The member from Saskatoon South, Mr. Deputy Chairman, says: how much revenue would we have? Well, Mr. Chairman, if no changes to the fiscal policy were in place — no changes at all — you would have, my friend, \$341 million less — less.

Well, he says, that's absolute wrong. It isn't wrong. and I would be glad to open the books to him and anyone else in opposition at any time. In fact, I would go one step further, and I would say to the Leader of the Opposition, let him choose a reputable accountant to, in fact, do that if he is going to continue to remain unaccountable for his allegations in terms of the oil policy in this province.

Quite frankly, the member forgets that if it hadn't been in place, those wells wouldn't have been drilled. And if the wells aren't there, they don't pay royalties. And that's very simple, Mr. Chairman.

Mr. Rolfes: — Mr. Chairman, Madam Minister, it is simply . . . I just don't believe that you . . . or your officials would give you those figures. It wasn't that difficult for the officials to figure out. I simply asked you this: if the rate of drilling had continued at 800 wells per year or 9.3 million cubic meters, what would have been the revenues accrued to this province if the same royalty rates had been in effect for the last five years? Now surely your officials are not going to tell me that that's going to be less. I mean, that doesn't make sense. It obviously . . .

An Hon. Member: — Figure it out.

Mr. Rolfes: — I did figure it out; I've got it. It doesn't make sense. What I'm saying to the minister is, you'd better do a little better calculations than what you did this evening. Now I don't expect you to be able to do it in five minutes. But that simply is not true what you're telling me.

I want to say to Madam Minister, she was the one that said that that there was no infrastructure in 1982. Those were her words. No infrastructure. That means to me there wasn't any. Now she says, we had to improve the infrastructure that existed in 1982. And I've already indicated to you that through your royalty policies, I will concede that.

But what I'm telling you is that the price was simply too high. And that is what we are debating here tonight — the price you had to pay to improve that infrastructure. I'm saying to you that the vast majority of the benefits were to the oil companies, and very little accrued to the people of this province, the owners of that non-renewable resource. That's what I'm saying to you.

And I want to say to the minister that I would have preferred, I would have preferred that if you had done nothing from 1982 and had left in effect the royalty policies that were in effect when we left the government . . . Because I am convinced, I am convinced, and the facts bear this out, that the people of this province would have received another 1.3 to \$1.5 billion, and we would have now in reserve an additional 400 million barrels of oil that you gave away.

And I'm asking the minister again to please calculate what the revenues would have been to this province. If the same oil royalties had stayed in effect, and the drilling would have been at the same rate of 800-and-some wells per year, what would have been the revenues accrued to this province?

Hon. Mrs. Smith: — Well, Mr. Member, based on your figure of 800 wells drilled, let me tell you that you couldn't begin to keep the production constant, as you suggest. The reserves aren't there.

So to do a calculation on 800 wells is strictly hypothetical. What does it gain you? If you wanted to keep the production, which in essence is your reserves, at that level, you would be looking at about 1,500 wells a year to maintain the same production of your 800 wells.

Mr. Rolfes: — Madam Minister, I want an answer. I want an answer. If I don't get it tonight, I'm willing to ask it again tomorrow and the next day and the day after, until you and your officials answer the questions in this House.

It is my obligation to ask the questions. It's your obligation to answer them.

And I want some answers. It is not hypothetical. It is not hypothetical when I ask you, what would have been the revenues accrued to this province if we would have continued to drill wells at 800 wells per year at the rate of 54 per cent — or 59 per cent is what it was in 1982, the rate of return — what would have been revenues accrued to this province over those years?

Hon. Mrs. Smith: — Mr. Chairman, I realize that he's here to ask questions, and answers, and I would assume that he would like some answers that are not hypothetical and that are not based on assumptions that are not going to be there.

Number one, the assumption that you make is, in fact, you would have continued to drill 800 wells per year. I'm telling you that wouldn't have happened, particularly in 1986 — particularly in 1986.

But, Mr. Member, we will work it out for you and we will get it to you as soon as we can, perhaps tomorrow. We will take the price of oil over the years and whatever else you would like built into that calculation, but it will be recorded in this House that it's hypothetical and that it is based on certain assumptions, so that you do not do the same with that information as you have done with it in the past. That's fair, I believe, and that's totally open with you. We will get you the figures.

Mr. Rolfes: — Minister, I appreciate — I appreciate the attempt that you're going to make, but it's not a hypothetical case. There have always been oil wells drilled in this province. They vary from time to time, as you know. It's gone down dramatically from 1985 to 1986. They're recovering a little bit again this year, not to the extent that you would like to see it and I would like to see it, but there is nothing wrong, there's nothing wrong in estimating what the revenues would have been from at least 1982 to 1985.

I now want to ask the minister, what was the average price of oil from 1982 to 1985 until the intervention of OPEC?

Secondly, and I'm sure your members would have it and I want to just verify this, what was the average price of oil — I believe I am correct in my figures but I want to have it verified — from 1971 to 1981, what was the average price for a barrel of oil?

Hon. Mrs. Smith: — Mr. Chairman, we will be happy to figure it out for the member, but I would also like it noted that the member was sent, before estimates, the appropriate material. and with a simple adding up in there, it's all there for him, but we'll be glad to do it for him.

Mr. Rolfes: — Madam Minister, I appreciate that you have sent me some materials. I want it on record as to what the price of, the average price of oil was from '82 to '85.

I want you to tell the people of this province, in this House, what it was from 1982 to 1985 and from 1971 to 1981. Just give us the average price. I know you've got it

there.

Hon. Mrs. Smith: — Well, Mr. Member, I . . . Mr. Chairman . . .

Mr. Chairman: — Order, please. Order. Would you allow the minister to answer the question.

Hon. Mrs. Smith: — Thank you, Mr. Chairman. The information that I have with me tonight, and it is what was sent the member before estimates, is year by year. I will read that into the record, and then if he would still like us to do some calculations . . .

An Hon. Member: — All I want is the average.

Hon. Mrs. Smith: — Well I don't have the average; we will have to do the calculations. Perhaps you can do it faster than I. If so, all the more power to you.

Mr. Chairman, 1972. The average oil price in '72 was \$2.44. My next figure is 1975, which is \$6.84; 1977 is \$9.41; 1978 is \$11.33; 1979 is \$12.30; 1980 is \$14.68; 1981 is \$17.65; 1982, 25.41; 1983, 29.58; 1984, 32.02; 1985, 33.04; 1986, 15.71. Mr. Chairman, I want you to note that this is average.

Mr. Rolfes: — Madam Minister, could you tell me, was that the average wellhead price in United States monetary terms? Is that what it is?

Hon. Mrs. Smith: — No, this is Canadian dollars I gave to you tonight.

Mr. Rolfes: — Well I have it in American dollars, and so . . . (inaudible interjection) . . . That's fair enough. Most of the time, I want to say to the member from Lloydminster, when oil is quoted, it's usually quoted wellhead price U.S., but I know that you wouldn't understand that, hon. member.

(2015)

Madam Minister, would you tell us this evening the increase in production of oil from 1982 to 1987. You may not have all the figures available for you, but can you tell me what the production was in 1986 and so far in 1987?

Hon. Mrs. Smith: — Mr. Chairman, the annual production in 1982 was 51 million barrels; 1983 was 60 million barrels; 1984 was 68 million barrels; 1985 was 72.9 million barrels; 1986 was 74.3 million barrels . . . (inaudible interjection) . . . Pardon?

An Hon. Member: — Have you got the data for '87?

Hon. Mrs. Smith: — We are estimating 75.8 for 1987.

Mr. Rolfes: — All right. Madam Minister, therefore when we look at it from '82 through to '87, what you are telling me, that in each one of those years the production of oil has increased, but our revenues have not kept . . . have not increased proportionately. Could you tell me why that did not occur? If your oil is increased, why would the revenues not increase also? What were the reasons why oil companies could function at a higher rate of return on

the revenue to the province in previous years? Why must the rate of return of the revenue decrease in each of those years? What's the reason for it?

Hon. Mrs. Smith: — Mr. Chairman, there's basically three reasons that I can give the member.

First of all, you have less old oil each year and more new, and the rate on new oil is less than what it is on the old. And I believe that's fair; the old oil has more than paid for itself. You have a reduced average productivity. And thirdly, the enhanced oil recovery portion is up, and that also has a lower rate because of the cost of the EOR (enhanced oil recovery) process.

Mr. Rolfes: — Could you give me the number of barrels decrease in old oil, and the increase in barrels for enhanced oil recovery. Now you're saying there's been a decrease in one, an increase in the other. Can you tell me either the percentage or the barrels. Either one will do.

Hon. Mrs. Smith: — Mr. Chairman, over what period of time? One year, or . . .

Mr. Rolfes: — If you have them, Madam Minister, from 1982 to the present, that would . . . And I'd prefer to have the barrels, if you can.

Hon. Mrs. Smith: — Mr. Chairman, it's going to take the officials a minute to do that so if you'd like to go on with another question . . . Or we can wait; we are at your disposal.

Hon. Mr. Blakeney: — Mr. Chairman, and Madam Minister, I wanted to ask a couple of questions, not to interrupt the chain of questioning by my colleague, the member for Saskatoon South, but just to lay the groundwork for some later questions.

And it concerns the NewGrade project. And I would like to ask whether or not all agreements between the Government of Saskatchewan and the Government of Canada have been arrived at, completed, and executed, with reference to the NewGrade project.

Hon. Mrs. Smith: — Mr. Chairman, it is my understanding that all of the agreements, or most, are completed except for the final financing agreement and that is expected to be completed by the end of August.

Hon. Mr. Blakeney: — Mr. Chairman, and Madam Minister, you are advising me — am I correct? — that there is no financing agreement between the Government of Canada and the Government of Saskatchewan with respect to NewGrade.

Hon. Mrs. Smith: — Mr. Chairman, yes, most of the arrangements are in place. However, there is a finalization on two components; one is the loan agreement and the other one is the guarantee agreement.

Hon. Mr. Blakeney: — Mr. Chairman, and Madam Minister, what agreements are signed that relate to financing by the Government of Canada of this project?

Hon. Mrs. Smith: — Mr. Chairman, the . . . Two of them

— the major project agreement and the other one is the operating agreement — are completed.

Hon. Mr. Blakeney: — Mr. Chairman, and Madam Minister, I take it the minister is referring to agreements between the Government of Canada and the Government of Saskatchewan. I understand that she is telling us that they are completed and signed. I ask the minister whether you have any objection to making available to the House, to the committee, the text of the agreements between the Government of Canada and the Government of Saskatchewan with respect to NewGrade.

Hon. Mrs. Smith: — Mr. Chairman, by far the majority of the agreements include a third party, as I'm sure that the Leader of the Opposition will recall, and that is the co-op refineries. And with them as being signatory to the agreements we will not be making those available to the leader. They are commercial agreements. However, the guaranteed one is between the provincial government and the federal government, and those may be available upon completion.

Hon. Mr. Blakeney: — Mr. Chairman, and Madam Minister, could you estimate, to the nearest \$1 million or to the nearest \$10 million, what you believe your government is going to have at risk in the upgrader, the NewGrade upgrader project?

Hon. Mrs. Smith: — Mr. Chairman, I would like to remind the Leader of the Opposition that this is a project that normally is Crown Management Board.

I will be happy to respond to the question that he has raised. But there may very well be some that I do not have the information to; I just want you to be aware of that. The total cost is 680 million. One-fifth is at risk as equity. And the loan guarantees are a maximum of 360 million. And we expect this to be about 310 million.

Hon. Mr. Blakeney: — So we are talking about of the order of \$400 million in loan guarantees and equity covered by agreements which you are telling the committee you will not disclose to them. I want to be very clear on what you're saying, Madam Minister. We are not dealing with tiny sums. We're dealing with a project which is a massive project involving a very heavy exposure of public funds.

I take it you don't deny that it would be of the order of 400 million — I expect it will be quite a bit more than 400 million, but let's leave it at that — pursuant to agreements which you want to keep secret. You have suggested that these are commercial agreements. Obviously agreements with Weyerhaeuser and other companies are commercial agreements, but after a very considerable prodding, these have been made public.

I want to ask you again, Madam Minister: do you take the position that you propose to keep secret the agreements covering the construction of an upgrader in which over \$400 million of taxpayers' money will be at risk.

Hon. Mrs. Smith: — Well, Mr. Chairman, I have already informed the member that the agreements covering the loan guarantees will be available when they are

completed.

Hon. Mr. Blakeney: — Supplementary, Mr. Chairman, Madam Minister, I am talking about the overall project agreement, the agreement which describes the obligations of the parties. A guarantee agreement, as the minister may well be aware, can be a very, very short and simple agreement if it includes references to other agreements which are kept secret.

(2030)

I am asking you again: are you proposing to put at risk more than \$400 million of taxpayers' money pursuant to project agreements which you propose to keep secret?

Hon. Mrs. Smith: — Well, Mr. Chairman, let me repeat myself in part. I have already informed the Leader of the Opposition that parts of this would be made available for him if he wants to see it, and that is the part between the provincial government and the federal government. I've also explained to him that other parts of this agreement, which he understands in total, includes a third party, and it is a commercial agreement. And I believe that they have the right in signing part of that agreement to ensure that that in fact takes place — the confidentiality of the commercial agreement, Mr. Chairman. The Leader of the Opposition understands that. I informed him, and he's upped the ante on it.

Mr. Chairman: — Order, please. Order. I'm having difficulty hearing the minister speak, so I'm sure members further removed are also.

Hon. Mrs. Smith: — Mr. Chairman, I also informed him of what the figures were. Now they somehow went from 400 million to over 400 million when I very clearly told him that we expect it to be 310 million.

Hon. Mr. Blakeney: — Mr. Chairman, and Madam Minister, I am sorry I misunderstood you. I thought you told me that 20 per cent of the \$600 million project was shares, and a simple calculation indicates that that would be \$120 million, and that the loan portion would be, in your terms, \$310 million, and that the total therefore would be \$430 million. Now I call that over 400 million. Would you kindly confirm again what the share exposure would be and what you predict the loan exposure would be.

An Hon. Member: — And don't use Gary Lane mathematics.

An Hon. Member: — Or yours.

Hon. Mrs. Smith: — Right. Or the member from Regina North East. Yes, if we ... Let's clearly understand one another that when you use the figure of over 400, you are using the one-fifth which I stated, plus what we expect it to be, which is the 310. Yes, then the loans ... Then we are around 400 million. Mr. Leader, we agree on that. I cannot add any more than that, Mr. Chairman.

Hon. Mr. Blakeney: — Mr. Chairman, and Madam Minister, I ... Check the record of what I said. I was talking about the amount of the total exposure of the

Government of Saskatchewan. I hope you don't now deny that it's over 400 million, and we're talking about this. Are you suggesting, Madam Minister, that it's less than 400 million, the exposure of the Government of Saskatchewan? No? Thank you.

Now if, in fact, the total exposure of the Government of Saskatchewan is more than 400 million — and as I've said in this House before, in cold financial terms, in simple cold financial terms, the only people who have money at risk are the Government of Saskatchewan and the Government of Canada; I concede freely that the co-op has other matters at risk because there is a tie-on to their refinery and the like — but if the project, if \$600 million is spent on that project and it is a failure, will the minister agree that all of the \$600 million is going to be paid for by the taxpayers of Canada or the taxpayers of Saskatchewan, on the assumption that the project is a total failure?

Hon. Mrs. Smith: — Mr. Chairman, it is true that the governments have the most risk on this project. I should also inform the Leader of the Opposition that we expect that there in fact will be some private risk capital at the start-up of it.

Hon. Mr. Blakeney: — Mr. Chairman, and Madam Minister, simply, do you agree, that as the project now stands, in simple financial terms, all of the money at risk is government money? Did I understand you to say yes to that?

Hon. Mrs. Smith: — Well, if the other side would be quiet, yes, that's precisely what you would have understood.

Hon. Mr. Blakeney: — Thank you, Madam Minister. And that is the answer I wanted. We have, by your admission, \$610 million of a project, 100 per cent of which is at risk of taxpayers — about 400 million of that money of provincial taxpayers' risk and the other of federal taxpayers' risk.

Now, Madam Minister, in view of the fact that all of the financial risk — and I want to underline that the co-op is certainly undertaking some obligations and I don't mean to denigrate their contribution — but all of the financial risk is undertaken by taxpayers, how can you justify not making available to this House the agreements under which taxpayers of Saskatchewan are undertaking an obligation of more than \$400 million?

Hon. Mrs. Smith: — Well, Mr. Chairman, I'm afraid I have to repeat myself again. I have indicated that on the information that the Leader of the Opposition is looking for, that there in fact is a third party involved, and that is Federated Co-ops. It is a commercial agreement. And I think that the opposition knows, or I would hope has some business sense in knowing that in fact, and there are some competitors as it relates to the co-op and as it relates to the government in this matter. And Mr. Chairman, I'm just going to have to keep saying the same thing if the same question keeps arising.

Hon. Mr. Blakeney: — Mr. Chairman, and Madam Minister, we are talking about an agreement whereby the

Crown is giving guarantees and lending money to a total of over \$400 million.

A new doctrine is being presented tonight by the minister. She is saying that if the government guarantees to a third party, a commercial organization, \$100 million, the government needs to disclose no facts because a third party is involved. Now that surely is nonsense, and all of us would know it's nonsense. Nonsense.

And I am asking the minister again: are you taking the position that you will withhold from this committee the agreements pursuant to which you have invested, one way or another, and loaned or invested \$100 million and guaranteed another \$300 million, because you have guaranteed a third party, a commercial party?

Is it your position, Madam Minister, that if you guaranteed the government of Canada you would tell us the facts, but if you guarantee Peter Pocklington you will not tell us the facts? Now I know Peter Pocklington is not involved in this, but the principle you are enunciating is one whereby if your committee gave a guarantee, let us say, to Imperial Oil, you would not tell us the facts because Imperial Oil is a commercial company. If your colleague gave a guarantee to Peter Pocklington, you wouldn't tell us the facts because Peter Pocklington is carrying on business. And the only time you will tell us about a guarantee is when you're guaranteeing another government.

I suggest, Madam Minister, the public are not quite as concerned about when you're guaranteeing another government as when you're guaranteeing the debts of a private party. Now again, Madam Minister, I ask you: is it your position that you will not disclose the agreements pursuant to which your government is putting at risk the taxpayers of this province in an amount in excess of \$400 million?

Hon. Mrs. Smith: — Mr. Chairman, I have stated once again that we will disclose the agreement between Canada and Saskatchewan when it is finalized. The other components are a commercial agreement with the third signatory, and Mr. Chairman, I am not at liberty to disclose that.

Hon. Mr. Blakeney: — Supplementary, Madam Minister, what inhibits you from disclosing that information?

Hon. Mrs. Smith: — Mr. Chairman, very simply put, it is a confidentiality clause within the agreement itself.

Hon. Mr. Blakeney: — Madam Minister, you may feel this to be a hypothetical question but are you asserting that if you had built in a confidentiality clause in the Weyerhaeuser agreement you would have been entitled not to disclose them? Is that your position?

Hon. Mrs. Smith: — Well, Mr. Chairman, he's right. I feel that that's very hypothetical.

Hon. Mr. Blakeney: — Madam Minister, I propose to pursue this at another time because I think that the position taken by the government is untenable, and I will ask you again to reconsider your position about the disclosure of information, the disclosure of information

involving the risk to the taxpayer in excess of \$400 million. I ask you to reconsider it, and I ask you to be prepared to confirm or else to very your position at a later time in this committee's hearings. That's one thing I ask. Secondly, I ask you to answer this: are you asserting that the co-op — and by that I mean Federated Co-op or any of its subsidiaries — are taking the position that this information cannot be disclosed?

(2045)

Hon. Mrs. Smith: — Yes, Mr. Chairman.

Hon. Mr. Blakeney: — Mr. Chairman, and Madam Minister, I want to very clear. You are asserting that it is the co-op who is saying that this information cannot be disclosed, and that it's your government. Am I very clear on that?

Hon. Mrs. Smith: — Well, Mr. Chairman, there are three signatories to the agreement and there is a confidentiality clause within the agreement that all three of us signed. And it was, quite frankly stated, for commercial reasons. I've talked about competitors, and we agreed and we signed it, that we would not release the information, Mr. Chairman.

Hon. Mr. Blakeney: — Madam Minister, are the three parties the Government of Canada, the Government of Saskatchewan, and the co-op or one of its subsidiaries — Federated Co-ops or one of its subsidiaries?

Hon. Mrs. Smith: — The three parties to the agreement are the Government of Canada, the Government of Saskatchewan, and the Consumers' Co-operative Refineries Ltd.

Hon. Mr. Blakeney: — Thank you, Madam Minister. I will leave this line of questioning. I ask you to take under consideration the comments I have made and ask, again, whether you can justify keeping secret agreements involving more than \$400 million of taxpayers' risk.

Hon. Mrs. Smith: — Mr. Chairman, I can only state what I said before, that the agreement is in place. There were three signatories to it with an agreement that the information would be held confidential for commercial reasons.

Mr. Rolfes: — I can assure you that we will pursue this line of questioning in the days ahead, so you're going to have a long, drawn out affair in estimates unless we start getting some answers. We're simply not going to let you get off the hook by simply saying something is confidential or, as we saw the other day in Environment, the minister refuses to answer, and let's go on to another topic.

This is simply not acceptable and we cannot carry out our responsibilities as an opposition if the ministers come before us and simply refuse to answer or, secondly, say, well we have agreed with a third party that this shall remain confidential and therefore we will not answer. That is unacceptable, Madam Minister, and I will assure you that we will be back questioning you on this particular topic.

In regards to the Co-op Upgrader, Madam Minister, would you tell me what did you estimate the legal fees to be on the Co-op Upgrader?

Hon. Mrs. Smith: — Mr. Chairman, we don't have that information available. In fact it is NewGrade Energy that pays the legal fees and we would have to consult with them. And I think if the member, in fact, wants to pursue it further, he perhaps should be more specific. Because don't forget that there's . . . The co-op will have some of its own legal fees, and NewGrade and on and on. But I want you to know, like, we just don't have that. We would have to get it from NewGrade.

Mr. Rolfes: — Madam Minister, I'm not concerned what the co-ops spend on legal fees. I want to know what you are responsible for in expenditures. What were the legal fees? What did you estimate the legal fees to be, for the Government of Saskatchewan, on the NewGrade upgrader?

Hon. Mrs. Smith: — Mr. Chairman, my officials inform me that any legal fees that we — and when I say we: Saskatchewan, our government — had was reimbursed by NewGrade.

Mr. Rolfes: — Madam Minister, could you tell me the law firms involved in the legal fees? Which law firms did you people use, and how much was paid to each?

Hon. Mrs. Smith: — Well, Mr. Chairman, I think perhaps we can give him the law firm, but NewGrade paid them. We would still have to get that information from them.

Mr. Rolfes: — Are you telling me, Madam Minister, that you had no legal . . . you have paid no legal fees at all? The government has paid no legal fees at all in the negotiations that have taken place between Saskatchewan, and the federal government, and Federated Co-op. You have paid no legal fees in the negotiations that have gone on between Saskatchewan, the federal government, and Federated Co-op. Is that correct?

Hon. Mrs. Smith: — Mr. Chairman, I stated that we had some but they have been reimbursed by NewGrade, so NewGrade has paid for the entire legal shot for Saskatchewan.

Mr. Rolfes: — Madam Minister, you've just admitted, you have just admitted that you paid some. Tell me what that amount was. Obviously if you paid some and you've been paid back by NewGrade, you should know what the amount is.

Hon. Mrs. Smith: — Mr. Chairman, I said we can get it but we don't have it with us tonight. We will, in fact, have to get it from NewGrade.

Mr. Rolfes: — Madam Minister, if NewGrade paid the legal fees back to you, surely someone in the department must have made a request to NewGrade to pay the bill. Now please tell me what that amount was that NewGrade paid back to you in legal fees.

Hon. Mrs. Smith: — Well, Mr. Chairman, the member knows full well it was not done through the department but probably Crown Management Board, and that's exactly where it was. But we will get them for you, but we don't have those with us.

Mr. Rolfes: — Madam Minister, could we have those figures tomorrow, please? Could we have those figures tomorrow?

Hon. Mrs. Smith: — Mr. Chairman, I will do my utmost. I can't guarantee it because I'm not dealing with the department on it. I'm dealing with Crown Management Board and perhaps NewGrade together. But we will do our best.

Mr. Rolfes: — Madam Minister, I heard the other day exactly the same thing. Because it's now in Crown Management the minister absolves herself from all responsibilities of answering in this House. We heard the Minister of Environment do exactly the same thing the other day.

I'm saying to you, Madam Minister, if you requested a bill to be paid by NewGrade, surely you should know what that amount is. You don't have to go now to another agency in government to find out what that request was. All I'm asking you is simply give me that answer. Now if you can't give it to me tonight, I'll ask the question again tomorrow.

I want to know, Madam Minister, in regards to the upgrader also: what does the differential have to be, the differential between light and heavy crude — the differential in price, of course — between light and heavy crude to make the upgrader viable?

Hon. Mrs. Smith: — Seven dollars, Mr. Chairman.

Mr. Rolfes: — Could you tell me at the present time, is that differential below or above the \$7?

Hon. Mrs. Smith: — Based on today's price, Mr. Chairman, the differential would be about \$5.

Mr. Lyons: — Thank you, Mr. Chairman. Just a few questions to the minister in regards to statements that she made in response to the opening remarks of my friend and colleague from Saskatoon South, the critic for this department.

I wonder, Madam Minister, in your statements you drew strong, strong parallels between the amount of oil produced in Saskatchewan as an index of the health of the industry, and also in terms of an index for the health of the Saskatchewan economy and the health of the provincial treasury.

I wonder in that regard, Madam Minister, would you provide us first of all, the volume of oil produced in 1981-1982, and the dollar value accruing to the Saskatchewan Heritage Fund in that year; and also the amount of oil produced, an estimated amount of oil produced, 1987-1988, and the estimated dollar value accruing to the Saskatchewan Heritage Fund in those years?

Hon. Mrs. Smith: — Mr. Chairman, I believe that I have already given the production figures tonight, and perhaps the member was not listening. I don't know. But I know that they have been given to the member from Saskatoon South. It will take us a few minutes to look up the dollar figures on the Heritage Fund.

(2100)

The dollar values that the member from Regina Rosemont is looking for, Mr. Chairman, are as follows, for the year 1981-'82 . . . Am I correct, that was the year? The first year?

An Hon. Member: — Right.

Hon. Mrs. Smith: — Mr. Chairman, the revenue data goes like this: \$310.1 million on oil royalties, taxes, after holidays; bonus bids, 43.8; other oil revenues, 14.8; for a subtotal of \$368.7 million.

Now you also received from the federal government \$164 million, for a total oil revenue of 532.7. You paid out \$60.2 million to the oil companies — that was on your incentive expenditure program. And if I take that figure and I look at what has happened with the export tax, your net oil revenue was about \$308 million.

Did you want '82-83, where the net oil revenue was \$425 million? You asked . . . let me see, '85-86 was \$655.6 million. There's no export tax in there. And the 1986-87, the actual is 212.9. We are estimating in the blue book for 1987-88, \$309.3 million.

Mr. Lyons: — Madam Minister, can you repeat the actual for '86-87. Was it \$212.9 million? Is that correct?

Hon. Mrs. Smith: — Yes, that's correct, Mr. Chairman.

Mr. Lyons: — Madam Chairman, I understand that the \$533 million that you received in what you said was '81-82, I have for 1981. Would I be correct in saying that the province — that the total revenue accruing to the Heritage Fund in 1982 was in the order, not as you said, \$400-and-some million, but isn't closer to \$700 million?

Hon. Mrs. Smith: — No. In fact, I said it was 308. You are forgetting that there was an incentive program in place and you paid out \$60 million in grants. That was the incentive program that paid 75 per cent for the actual drilling costs.

Also, if you took the export tax and classified that as actual oil revenue, and that is \$164 million for the year 1981-82.

Mr. Lyons: — Well, Madam Minister, that's — seems to me you're juggling with the figures a little bit. If we get in fact \$100-and-some million from the federal government through negotiations and through revenues from oil, because that's where they were based on, was revenue of oil, how can you say that it was only \$300-and-some million? That's not correct. It was \$544 million.

I asked you for total oil revenues, not the gobbledegook

you're giving — the total oil revenues as it appears in *Estimates*, as it appears in the publications of the Government of Saskatchewan in regards to the Saskatchewan Heritage Fund.

Hon. Mrs. Smith: — Well, Mr. Chairman, with all due respect, I don't know how the member can consider a federal tax provincial royalties. That's simply not true.

One hundred and sixty four million dollars of what was in the revenues came from your import tax — export tax. I'm sorry. Your export tax, \$164 million. Plus you paid out another \$60 million in incentives under the NDP incentive program.

Interestingly enough, you should know that you left another \$300 million liability with 75 per cent of that, or more, supposed to be going to the very large oil companies. But I simply don't understand how the Regina Rosemont member considers an export tax as part of his provincial royalty. That doesn't add up.

Mr. Lyons: — Mr. Chairman, Madam Minister, I didn't ask you about export taxes. I asked you about the amount of revenue which accrued to the province, and which appears in the publications of the province for the year under question, accruing to the Saskatchewan Heritage Fund — accruing to the Saskatchewan Heritage Fund.

I think you're playing with figures. I don't think you're telling the truth in terms of what you see as oil royalties. And I don't think you're being straight with the people of Saskatchewan in this regard, because it puts to the lie your theory of economics when it comes to oil.

Mr. Chairman: — Order, order! Order. I've asked members to refrain from using that kind of language. I find it unparliamentary and I would ask the members to refrain from the use of those words.

Mr. Lyons: — Mr. Chairman, I didn't call anybody a liar. I was not referring to a person.

Mr. Chairman: — Order. There is no debate allowed on the chairman's ruling. Are you challenging the Chair? The debate may continue.

Mr. Lyons: — Madam Minister, going back to revenue, going back to oil revenue. No matter how it comes into the province, no matter what particular financial and fiscal arrangements are made between the province and the federal government, the fact of the matter is that Saskatchewan received as revenue \$544 million in the year that you've outlined. And in the next year, Saskatchewan received close . . . over \$700 million — not at all the figure that you gave.

And we looked and we looked, and we look at the value of oil production in this province, and we look at the value of oil production, and we see in 1982 where the province had revenue of close to over \$700 million. The oil production by your own figures given tonight was 51 million . . . was 51 million barrels. We got \$700 million for 51 million barrels.

We look at your estimates. You look at your estimates for

1987-88, where you have a 50 per cent increasing the amount of oil produced in this province — 75.8 million barrels — and what do we see? What do we see for revenue? We see \$309 million. We have a 50 per cent increase in the amount of oil produced, and what do we get? What do we get in return for that? We get more than a 50 per cent reduction in the amount of oil revenues that we get.

How can you stand before the people of this province Madam Minister, how can you stand and defend that kind of economic logic where the oil companies take twice as much oil out of the province and we get less than half as much as we did in 1981-82? How can you justify that logic?

Hon. Mrs. Smith: — Well, Mr. Chairman, perhaps in one sense it comes down to total revenue. But I also suggest to the members opposite that in fact it does matter how you get there.

Now he said, our royalties. And I am simply saying to the member, and I believe this was probably available to him, that \$164 million of that allotment in 1981 was not royalties. It was export tax coming in from the federal government. It was not royalties.

I'm also telling him that in fact there was another 60 million paid out in cash — grants. And there was another 300 million liability left owing on the books when his party left office in 1982.

Mr. Speaker, if you want to compare just royalties, that's what I've done. If we want to talk about all revenues, then we can talk about that too if the member from Regina Rosemont wants to do that.

Mr. Lyons: — Well, Madam Minister, the original question was the amount of revenues. It wasn't a question of the financial and fiscal arrangements between the province and federal governments. It talked about the revenues coming into the province, because you and your colleagues in the cabinet like to talk about the bottom line, and what the bottom line, and how the bottom line should dictate how operations should occur in this province.

And when you look at the bottom line as outlined in your own publications and in your own estimates and in the budgets from the various departments and also in the bottom line in terms of revenues, because for the province of Saskatchewan the bottom line is the amount of money accruing through oil revenues and accruing into the Heritage Fund. That's the bottom line that all people in Saskatchewan are worried about. And they're worried about it, Madam Minister, when in fact we're pumping out 50 per cent more oil and we're getting less than half for a return. And as you yourself said, we have to be concerned with reserves.

Like let me tell you that the people on this side of the House are certainly concerned with reserves. And we're more than concerned with the reserves when we see you and your government allowing Saskatchewan oil to flow out of this province at fire sale prices in terms of the revenue that accrues back to the people of Saskatchewan.

And, Madam Minister, I'm glad that you didn't try to use price as a reason because you know yourself that that argument certainly is not going to hold up in this House. It will not hold up in light of facts, particularly in the sense that the average price between 1971 and 1981 averaged \$10.59 a barrel, but that the average price between 1982 and 1985 was 27.9 cents a barrel. Those are the average prices, Madam Minister.

In light of the fact, Madam Minister, that the price of oil was more than doubled between 1981 — the average price was doubled between 1981 and 1985 — how can you defend a royal policy which produces less than half the amount of revenue, despite doubling the oil production in this province?

Hon. Mrs. Smith: — Mr. Chairman, let me remind the hon. member from Regina Rosemont that I, in fact, started out with giving him all the information on all revenues — all revenues. Now, Mr. Chairman, that included such things as land sales, bonus bids, royalties, export tax, plus I gave the figure as to what was paid out in cash on the NDP incentive program in 1981-82. I gave you all that information. There's a bottom line there, agreed. But be realistic in looking how it got to where it was and what the factors are with it.

I would also suggest, Mr. Speaker, that there's a good reason for looking at all those factors, and let's take a look at tax, export tax, and royalties. Now the main difference between the two is that in this province, with the royalties, we set the level. We have control over that. With the export tax, that is another level of government setting that with absolutely no control for the people in this province over that. That's the main difference, my friend, in looking at the factors that go into that bottom line, as you call it.

An Hon. Member: — What's that got to do with it?

Hon. Mrs. Smith: — I say, it certainly does, my good ex-minister of Finance from 1981. All those factors have everything to do with it — and you know. Perhaps . . . You know, on one hand the member from Regina Rosemont is pleased that I'm not going to raise price. I am. Because he says it's double . . . I believe that was the phrase. If I'm wrong you may correct me.

An Hon. Member: — The price of oil . . . (inaudible) . . .

Hon. Mrs. Smith: — Well, let's look at what the price of oil is. That's another line of figures that I gave your colleague while you were out, along with the production. Now for your benefit I'll read them again: 1972, the price was \$2.44 . . .

An Hon. Member: — Pretty low.

(2115)

Hon. Mrs. Smith: — Yes, it was. But so were salaries and so was the cost of living and a lot of other input cost — 1975 it was \$6.84; 1977 was 9.41 . . . (inaudible interjection) . . . Well, you're either interested in the truth or you're not. Okay, 1979, \$12.30 — 12.30; 1980,

14.68; 1981, \$17.65, and in 1982, 25.41.

Now I want you to compare that with the price, the average price in 1986 — and we're talking Canadian dollars — was \$15.71. Now you tell me how you square that off with what you just told me about prices through that time.

Mr. Rolfes: — Madam Minister, we've found out what your arithmetic was like a little earlier, and we found out what it was like to the Leader of the Opposition. I'll tell the minister that, yes, I'll compare prices from 1971 to 1981, with 1986. The average price from 1971 to 1981 was \$10.79 a barrel. Right now it's \$15 a barrel — 50 per cent increase.

That's the kind of arithmetic, Madam Minister. And what was it in '85? The average price from 1982 to 1985 was \$27 and some cents a barrel — that was the average price. And in each one of those, in each one of those years, Madam Minister, you had a deficit. You had a golden opportunity to not only have surpluses but have increased surpluses over those years. You blew it. You had an opportunity, and you don't deserve to be the Minister of Energy right now.

Madam Minister, you had four months to get yourself ready for these estimates. And I'll tell you if I wasn't any further prepared than what you are today, I wouldn't have appeared before this committee. I wouldn't appear before this committee.

Some Hon. Members: — Hear, Hear!

Mr. Rolfes: — And it's too bad you don't have the Deputy Premier to help you out tonight. But I'll tell you . . . The Deputy Premier says I'm one of the dumbest people around. Well the people on television, the people on television will know who the dumb people are around here. When you have an accrued deficit of \$3.4 billion, and when you give a royalty holiday to the oil companies of \$300 million a year but at the same time you ask the people of this province to pay additional taxes of \$300 million a year, you'll answer for that, Madam Minister, and so will you, Deputy Premier.

Some Hon. Members: — Hear, Hear!

Mr. Rolfes: — We hear the member from Lloydminster speaking up, the brain of the Conservative caucus. Well we've seen this before. They can chat and yell all they want on that side, and there's nothing to prevent them and stopping them. They certainly do it on this side.

Madam Minister, I have gone to the estimates over the years, and I have gone through what the estimates were and what the actuals were for all non-renewable resources — for all non-renewable resources. And we have the following, and they're all in the estimates. You can go and have a look yourself. I took the time out of the last couple of weeks to look them up.

In 1980-81, the actual, the actual accrued revenues for all non-renewable resources to this province were \$787,000,583; 1981-82, they were \$758,000,683; 1982-83, they were \$775,000,791; 1983-84, it went

down slightly, \$758,000,018. And you had a good year in 1984-85, \$865,000,621. And then we went to \$768,000,986. Madam Minister, in 1986-87 you estimates, you estimated the amount to be six hundred and sixty-one dollars and ten . . . six hundred and sixty-one and ten dollars. I want to know, Madam Minister, what was the actual for all non-renewable resources — what was the revenue accrued to the province for all non-renewable resources for the year 1986-87? You should have that information for me, I hope. I would like to have all the revenues, the actual revenues for all non-renewable resources for the year '86-87.

Hon. Mrs. Smith: — Mr. Chairman, the actual total for the non-renewable is \$305 million. That's actual, and that's for the year '86-87.

Mr. Rolfes: — And you're estimating this year it to be 401,000,330 for all non-renewable resources. Can you tell me, are you still on target? Do you believe that you will take in the 401,000,330? Are you on target? Are you above or below or on target?

Hon. Mrs. Smith: — Mr. Speaker, we have no reason at this point in time to believe that that won't be met. I could inform the member that the end of the third quarter is probably your best time to look at a measurement as to whether you are going to meet your target or not. At least, at the very minimum it's going to tell you if you're going to be off or not.

Mr. Rolfes: — Madam Minister, I just want you to turn to the year 1986-87, and we have indicated on this side of the House, the production of oil is increased over that period of time from 1982. And yet, and yet . . .

An. Hon. Member: — We drilled more wells.

Mr. Rolfes: — Yes, you certainly have but, and I want to say to the Deputy Premier, yes you did, and certainly you should have received more revenues then for the people of this province. But instead, what have you done? What have you done?

You talk from your seat over there, but you should have had more influence on the policy makings of this government and not ask the people of this province to sacrifice \$400 and some million. \$400 and some million. Yes, that's what they sacrificed. From 1980-81, we took in \$787 million. This year you're taking in \$300 and — or last year you took in \$305 million. Those are your figures, and what I'm saying is that we've lost over \$400 million. Those are your figures.

Madam Minister, I want to turn to another item that you have . . .
Madam Minister, you have . . .

Mr. Chairman: — Order. Order. Order. Order. Order. There's members hollering from their seats on both sides of the House and it's very difficult to hear. And I would ask the members to allow the debate to go on without any interruptions.

Mr. Rolfes: — Madam Minister, you have made your statement on the export tax, and you don't consider that

as part of the revenues for non-renewable resources. I want to know the logic of that.

Why would you not consider an agreement made between the federal government, negotiated between the federal government and the provincial government in return for the ownership of that oil? That was the reason we negotiated it with the federal government — the provinces were the owners of that oil. We insisted, because if we were the owners, that the federal government owed us that export tax. Now if that is the case, why then will you not consider that as revenues accruing to the province because of the policies that we initiated?

Hon. Mrs. Smith: — Well, Mr. Chairman, I don't deny that it is not revenue — of course it was revenue — I mean you had \$164 million flow back in from the federal government. Am I understanding that correctly?

You had \$164 million flow back into the province on the export tax from the federal government. That's revenue — you're right, that's revenue — but that is not royalties based on the production that you produced. You, in fact, or they got a tax, a dollar from Saskatchewan for us to export our own oil. Now I can't believe that you stand in this House tonight — and I say that with all due respect — and say what's wrong with this because we signed this agreement with Ottawa.

Have you so quickly forgotten what you and your leader and your party said about the national energy program and what the federal government — the Trudeau government — did to western Canada with that policy? How quickly, my good friend, that we forget, and how quickly, if that in fact is true, that you better start remembering. You know what that did to western Canada, and I suggest that you refresh your memory on what your leader has had to say about the national energy policy and that export tax. That was simply a grab by a bigger government, further away, had nothing to do with the royalties in this province.

Mr. Rolfes: — Madam Minister, that is the . . . about as ridiculous a statement as I've heard from any Energy Minister or minister of the Crown coming from across the floor.

Madam Minister, what I want to say to you is simply this: we didn't agree with the NEP and what it did to this province, but I'll tell you one thing, Madam Minister, there is — you may turn your back on me and won't listen — but I'll tell you, Madam Minister, that had you been here, we wouldn't have even had the export tax because you wouldn't have anything to give away. You would have given it all away beforehand in your royalty policies.

What we did was, Madam Minister, for the people of this province. We said we are the custodians; the government is the custodian; the people of Saskatchewan are the owners. And the federal government has no business interfering with the royalty structures of the provinces who are the owners. But because they did intervene, we extracted from the federal government, as by your own admission, in that particular year, \$164 million — 164 million.

My question to you, Madam Minister, was: what was the total revenue that accrued to this province — to this province? What was the total revenue that accrued to this province on non-renewable resources? And the answer, of course, was not what you had tried to give. The answer was the ones that I have quoted to you.

I don't care whether it came from the federal government or it came from another province, I can tell you this: it was because of the hard negotiations that took place between the provincial governments, and that included Alberta and Saskatchewan — and by the way, the Alberta government also agreed to this, Madam Minister. We had no choice. We were put between a hard rock and a very difficult place, I can tell you that, by the federal government. But we saw to it in the end when we signed the agreement that the money was there for the people of this province.

And I'm saying to you that we produced 50 per cent less oil in those years than you have, but we received considerably more moneys for the people, the owners, for a non-renewable resource.

(2130)

What I'm saying to you, Madam Minister, is: you had a golden opportunity from '82 to '85 when the price of oil averaged over \$27 a barrel. You saw fit to be generous with the oil companies. You gave most of it away. In fact by my calculations you should have had another 1.5 to \$1.7 billion. That's what you should have had. But you gave it away. And now when you are in desperate straits because oil prices have gone down, the oil companies again are threatening not to produce oil in this province unless you reduce the royalties even further.

So we saw last December, as I indicated earlier, the minister caving in again, caving in again. And what do we hear her say: well, we're going to have productivity in the oil fields. We have this infrastructure all set up, but they're not producing, so we're going to have to cave in again and reduce the oil revenues even more.

I want to ask the minister, from the royalty structure changes that you made last Christmas, beginning January of this year, how many jobs, first of all, did you create by that? And secondly, how many wells are you estimating will be drilled because of that policy alone?

Hon. Mrs. Smith: — Mr. Chairman, we continue to have a dispute and a disagreement and, in fact, contradictory information on figures and the oil royalties and what it means to this province.

I simply want to state that the accusation that has been there, and that the member continues to flag into the public, is wrong. And in no manner, if in fact he is to do his homework and use all the calculations, can that figure be substantiated in any form or manner.

Mr. Chairman, I would go on to say that the royalties and the taxes have been both fair and reasonable — fair and reasonable to a variety of sectors, government being one of them, in terms of revenues and wanting to maintain a

level of revenue, keep an industry going, to ensure that we protected or maintained the minimum within the industry. From that aspect, Mr. Speaker, it was successful, and therefore I believe it was reasonable, and it was fair.

I also believe that even though, with the changes, we remain double the royalty rate that Alberta has, we still remain the highest in North America, that it, in fact, was fair and reasonable to do at the time, given all the circumstances. Not a chosen few circumstances that somebody wishes to use in order to play some numbers with, but in fact all the circumstances arising from it, Mr. Chairman.

The number manipulations — and I must admit I can only guess on some of it — that the NDP attempt to use relating to the gross oil revenues, including the export tax, are distorted and very misleading. We don't deny, nor have we in the past, that our own source, our royalty tax revenue shares have fallen. We stated that very clearly. We laid out to the public, to the opposition, as to what was going to happen in November of 1986.

The member wants to know how many jobs were created when that program . . . when it was announced and how many have been created since. I want the member to know that we never said at the time that the program was put into place that we were going to create on the short term. We said, we are going to maintain and save 5,000 jobs. We had already lost 5,000. And I would like the member to take that into consideration, with the potential of having a total loss of 10,000. So in effect we saved 5,000 jobs on the short-term, Mr. Chairman.

Mr. Chairman, some time ago the member had asked a question, and I forget his exact wording on it, but I do have the answers for it. I believe you were asking about the percentage of the total production and the production for 1982-1986. And it's into three categories. Again, the old oil, new oil . . .

An Hon. Member: — No, I didn't want that. I want the total. I didn't ask you for that.

Hon. Mrs. Smith: — Okay, well, the total on production is 51 million barrels, 1982. The end of 1986, it was 73.5 million barrels.

Mr. Rolfes: — Madam Minister, I also asked you how many wells you estimated would be drilled because of the announcement made last December 23.

Hon. Mrs. Smith: — Based on the program, Mr. Chairman, and the oil prices going up slightly, we were estimating approximately a 1,000 wells.

Mr. Rolfes: — Could you tell me what the price of oil was at that time?

Hon. Mrs. Smith: — Mr. Chairman, we believe, if our memory serves us right, that it was approximately \$16 U.S. at the time that we did the calculations in the announcement.

Mr. Rolfes: — What is it today?

Hon. Mrs. Smith: — Slightly over \$20 U.S.

Mr. Rolfes: — Would you say that that is a slight increase? Is that what you expected as a slight increase — a 25 per cent increase?

Hon. Mrs. Smith: — It is better than we expected. I think we were looking at perhaps 18, 18.50, 19.

Mr. Rolfes: — Therefore, I can then assume that you would expect that more than 1,000 wells would be drilled because of your program?

Hon. Mrs. Smith: — Well, one major factor will depend what happens with it, and that will be the price — if it holds, or remains at a fairly stable level for a period of time, or if, in fact, it goes up.

Mr. Rolfes: — Well, you know, if you say a 20 per cent increase, 25 per cent increase in the price of oil, and you had estimated 18. I would expect that the \$2 differential increase would substantially increase the number of wells drilled. Now I want to know: would it be 1,200; would it be 1,300; would it be 1,400; 2,000? What would that sort of \$2 increase bring — what additional wells?

Hon. Mrs. Smith: — If the price holds, Mr. Speaker, and goes up slightly, we perhaps will see some more. But there's another factor, and that is how the industry views competing forces. And I'll use Alberta as an example because of the incentive royalty program that they in fact did put into place.

As you know full well they have very low royalties that make it extremely difficult for Saskatchewan to compete. However, given that, I think we've done relatively well, especially in light of the fact that we do not have the light oil that Alberta has, and have some specific problems with heavy oil and our marginal wells.

If that price holds in around that 20 then, yes, I think perhaps we'll be somewhat over the thousand. You must remember there is also a federal government incentive program into place that will have an impact of its own, over and above that.

Mr. Rolfes: — Madam Minister, what was the cost of that program to the treasury?

An Hon. Member: — Which one?

Mr. Rolfes: — The one that you announced December 23.

Hon. Mrs. Smith: — Well, I think maybe we were back to this question in a different form. However, let's have another go at it.

We don't see a cost. I know you do. And given how you think about policies . . .

An Hon. Member: — It's got to cost.

Hon. Mrs. Smith: — Well, you say it's got to cost. First of all, remember we're not giving out a cash grant like your incentive program. We didn't do that. So there is no cost, in that manner, to the treasury.

Secondly, you have to remember that without some incentives and some changes, in today's environment and the competition you would have seen more well shut-ins than what we already had.

And I want to remind you, at that time we were looking at 3,000 wells shut in — price related. That's a very serious matter for any province that has a sizeable sum of oil revenues within their provincial treasury. You would have seen more. And I know you may find that hard to believe, but that in fact is the reality and the nature of the industry.

So the benefits are tenfold, if not a hundredfold — 5,000 jobs that were saved; we're looking at the \$100 million in provincial revenues, and 1.2 billion in investment. And I'm sure that the member from Saskatoon South remembers the spin-offs that come from the investment dollars for people and communities of the province.

Mr. Rolfes: — Madam Minister, I'm getting a little bit tired of your rhetoric with no production or based on facts. If all your rhetoric is true — if all that rhetoric is true — why, then, do we have about the slowest growing economy in all of Canada — the slowest?

If the oil industry responds — responds to those incentive programs as you say, then why aren't we — why isn't the economy moving? Why do our people by the thousands have to leave the province? As I indicated before, a net out migration of 12,000 people last year. And those aren't my figures, those are Statistics Canada.

Now what I'm saying to you, Madam Minister, is I think you've got your blindfolds on. You are too closely related to those multinationals, and your party gets too many political donations. And so you've got to be easy on those people. You can't have them cut off.

And I say to you, Madam Minister, that the headlines here — it says: "Grits, Tories corner the big money despite NDP's popularity surge" — is the real reason why you can't put in policies that are fair and reasonable to the people of this province. Those policies that you've put in effect . . . yes, I agree, they are fair and reasonable to the oil companies. They are not fair and reasonable to the owners of that resources, and that is the people of the province — they are the owners.

And I say to you, Madam Minister, you're blowing it again. You blew it when you had the former minister in, when you had an opportunity to help out the treasury so that you wouldn't have to increase taxes this year by over \$300 million. You're blowing it again this year.

And I'll tell you, Madam Minister, if I was in the oil companies, I would do exactly the same thing. I would threaten to pull out. I wouldn't drill because I know that if we hold up long enough you will cave in. You will come up with some more policies to reduce the royalties so that those people then can take the money and go somewhere

else.

(2145)

I'm telling you, Madam Minister, you have made a shambles of it for the last five or six years, and what I'm asking you now is take into consideration, once and for all, just once, the welfare of the people of this province. Why don't you do that instead of always looking at the interest and the benefits of the oil companies? They can take care of themselves, and they will. They've shown it over the years.

And even, Madam Minister, when we were the government and you people sat on this side and you said, oh, we hated the oil companies, and they didn't like us. Madam Minister, it may be true that we didn't have a love relationship with those multinationals, but they came in here, Madam Minister, to make a buck, and a buck they made. But I'll tell you again that the people of the province were the ones that were the beneficiaries. And you say that my figures are wrong. I have used your own estimates. These are not my figures; I've gone to the library and I've Xeroxed your estimates. These aren't fictional figures, as you say; these are facts. And I want to read them again.

Here they are, Madam Minister, so that you can look them up yourself. Go back in the estimates. In 1981-82, the actual total non-renewable resources was \$758 million-and-some. Now, the actual for 1982-83 was \$775 million; for 1983-84 it was \$758 million, and for 1984-85 it was \$865 million. And you gave me your figures. These aren't my figures; these are yours. I'm not dealing in the hypothetical. I'm dealing with the facts.

And what I'm saying to you is, Madam Minister, your government produced policies which were detrimental to this province. It was at least half of the total deficit that we presently have of \$3.4 billion. That is why your Minister of Finance had to increase taxes by \$300 million. That is why, Madam Minister, you had to cut programs. That is why you had to fire all the civil servants. Because you made the wrong decisions, decisions that benefited the oil companies, but decisions that would not benefit the citizens of this province.

What I'm saying to you is, Madam Minister, you don't deserve to be the Minister of Energy and Mines because you haven't got the welfare of the citizens in mind. You've got the welfare of the oil companies in mind. And I say to you, the reason for it is because of the large political contributions that those companies are making to your political party. And if you could forget that, and keep the welfare of the people in mind, we all would be better off.

Madam Minister, I want to ask you again: you said last December that you would . . . your policy change would create 1,000 new wells — 1,000 to 1,100.

Marcel Masse came in in March, I believe, put in a program in effect of 350 million, of which you said Saskatchewan would get approximately 100 to 150 million. Now either, Madam Minister, the federal government threw away \$350 million or 150 million in this case, or your program wasn't effective. You can't

have it both ways.

Besides that, the oil increased more than what you had anticipated, so there is no reason to believe that you should not have, in this year alone, at least — at least 2,000 new wells drilled. If you don't do that, then what I'm saying to you is, either the federal government threw money away, or your policy change simply was not effective. Now which one is it? Would you tell us?

Hon. Mrs. Smith: — Mr. Chairman, the member may be tired of having to raise it, but I can assure him that we are just as tired of having to listen to him.

You know, you do a lot of rambling, with all due respect, and you talk about the economy. Why don't we talk about unemployment? Our economy may be slow to move, but as I recall, the unemployment rate in Regina right now is about 5.5 per cent; that has got to be one of the lowest in all of Canada. Now you don't get that based on no economic activity whatsoever.

Let's have a look, Mr. Speaker; does he really understand what the economy of Saskatchewan is built on? Does he understand farming? No. If he took a look at the farm situation, he would know that the economy is going to be fairly sluggish because that's the foundation of Saskatchewan's economy.

If he even for a moment began to understand the resource sector, he would know that that's going to account in part for some slowness on the economy.

I don't know, Mr. Chairman . . . You know, I hear the member talking about love affairs with big oil companies and I wonder what this NDP opposition is all about. And I want to remind the member of 1975 and Bill 42. Does he recall what land sales were that year?

An Hon. Member: — Nothing.

Hon. Mrs. Smith: — No, nothing. Zero. Zero dollars for Saskatchewan people and programming. And it was zero in 1975.

An Hon. Member: — How about total revenue?

Hon. Mrs. Smith: — Mr. Chairman, he's worried about total revenues. He continues to have that narrow socialistic vision that all he sees is a dollar and nothing else. No people. Nothing else with it but the dollar. Think about it. Think about it. Think about it, that's all I ask. Think about it, what you've just said. Okay.

Mr. Speaker, the resource situation in Saskatchewan after Bill 42 had several factors. Granted, one was an imposition of taxation; mind you, they signed the agreement with the Trudeau government of the day. The Leader of the Opposition . . .

An Hon. Member: — So did Lougheed.

Hon. Mrs. Smith: — Yes, perhaps he did. Lougheed will tell you he perhaps didn't have much choice. And I know that the Leader of the Opposition feels the same way. But tonight you stood in your seat and you say, look, we got

this for Saskatchewan — \$164 million. Nobody else was happy with it but you.

Well what happened then, Mr. Chairman . . . And I want you to think about it as it relates to the big oil companies. That was when the incentive program was put into place for you to pay, the taxpayers of Saskatchewan actually paid the oil companies to drill, did they not? Seventy-five per cent of the actual cost of drilling. It didn't matter if they found oil or not; you didn't care; you simply sent it out.

Now somebody may live with that saying that was needed at the time to spur the activity. I don't know. That could very well be true. But what I do now, and what is wrong, is the \$300 million liability that you left owing to the big oil companies . . . (inaudible interjection) . . . You say crap. Maybe we should just take time and let's account for our statements. Okay? If you can account for yours, I will be pleased to account for mine.

And better yet, I'd like to open the books to you and you sit down and you have a look at them with the officials out of the Department of Energy. But Mr. Chairman, my guess is that he won't take that opportunity that's been offered in this Assembly with these people hearing. It's on the record and the public, and he won't take the opportunity to do it because he knows he's wrong and he's so far-based from the truth of the matter that he will not take the challenge that I have thrown out.

Mr. Chairman, there's much more that could be said on it. I would like to tell the member that if he, in fact, thinks that there should be 2,000 wells based on what he knows of the resource sector this year, I have to tell him that he doesn't understand. There is not enough cash flow out there to drill 2,000 wells. Okay? We estimated a thousand wells. And I believe it was stated, you may be looking at another 500 if — if the oil prices remain stable, and if the . . . (inaudible interjection) . . . Well, let me finish. I sat and listened to you. Okay? Just let me finish.

If the oil prices remain stable . . . If the oil prices remain stable, Mr. Chairman . . . And obviously he isn't interested in anything more than that.

The committee reported progress.

MOTIONS

House Sitings

Hon. Mr. Berntson: — Mr. Speaker, with leave of the Assembly, I move, seconded by the Minister of Health:

That notwithstanding rule 3 of the *Rules and Procedures of the Legislative Assembly* of Saskatchewan this Assembly shall on Thursday, July 30, 1987 meet from 10 a.m. until 1 p.m. And that, when this Assembly adjourns on Thursday, July 30, 1987, it do stand adjourned until Tuesday, August 4, 1987.

Motion agreed to.

The Assembly adjourned at 10 p.m.