

April 18, 1988

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.

Hon. Mrs. Smith: — Thank you, Mr. Chairman. Tonight I have with me for estimates from the Department of Energy and Mines, the deputy minister to my immediate right, Mr. John Reid. Behind Mr. John Reid is the assistant to the deputy, Mr. Ray Clayton. Next to Ray is Pat Youzwa. And next, on my immediate left is Mr. Bruce Wilson, and behind Mr. Bruce Wilson is Mr. Les Beck.

Item 1

Mr. Solomon: — Thank you, Mr. Chairman. I'd like to, on behalf of the opposition, welcome the officials for the department here this evening, and I'm sure we'll have a very educating evening.

I'd like to start out very quickly, Madam Minister, and I'd like to ask you, as Minister of Energy and Mines in the province of Saskatchewan, what do you believe your role is in the areas of energy and energy policy development.

Hon. Mrs. Smith: — Mr. Chairman, and to the hon. member from Regina North West, I basically see a couple of roles when it comes to the minister and the Department of Energy and mines within any government across Canada, and I speak, basically, of provincial governments right now.

Obviously the one is one of regulations and the monitoring of the resources and the collection of revenues, making sure that regulations are being adhered to, regulations that flow from the various Acts that the department has responsibility for.

I guess more important than that, or perhaps it comes first, is that of setting the policy of policies and the framework from which development can take place of these resources. And, Mr. Chairman when I speak of development, I think of all the natural resources or non-renewable resources within the province from oil and gas to gold and coal, potash, uranium, and other minerals that we may have. Those are the two basic functions that I see within our department.

Mr. Solomon: — Within that framework, Madam Minister, what is your — as a minister — person priority and objective, and what is the government's priority and objective with regard to energy policy?

Hon. Mrs. Smith: — The priorities, I think, have been stated relatively clearly under this administration in the last term and since 1986. And I would see those priorities as one of development of our non-renewable resources within a safe environment for the workers and also with

paying attention to environment and issues such as conservation.

I guess there are some people who would say that pro-development is in conflict when it comes to environment and conservation issues, but I see a balance in there, and when the priorities are set it is in fact one of development. From the development flows, for obvious reasons, revenue, but I think more importantly to the revenue, Mr. Chairman, comes the issues of jobs, the economic development of the communities where those resources are, and the taxation base along with it. Not only does it allow economic development but it provides some social well-being when people are gainfully employed.

Mr. Solomon: — Well, Mr. Chairman, the minister has indicated that her priorities . . . what her priorities and what the government's priorities are. And it seems to me that when you look at what she has said and what she has done and what the government has done, there doesn't seem to be a marriage of the two, whether her priorities that she has just stated are not in fact what the government is doing but more what the government would like to do. That perhaps would be the big question here.

Madam Minister, because of your government's short-sighted and unsound and senseless royalty holiday policy from '81 to '85, when prices of oil were high and profits to oil companies were the highest they have ever been, the people of this province are faced to date with lost revenues of approximately \$2 billion, a huge deficit, and once again this year, a substantial increase in taxes.

What has happened is that the government, through their mismanagement and through their patronage policies, part of the government, have left the people of this province with the fastest growing deficit in North America. We now have a deficit of \$3.7 billion or thereabouts in operating, and about \$7.7 billion in Crown corporation capital debt. What this means, Madam Minister, is that the taxpayers of this province are now faced with a fantastic amount — almost an incomprehensible amount — of interest payments just on the debt alone.

With regard to the operating deficit of \$3.7 billion, there is around a \$340 million interest cost to the taxpayers of this province on an annual basis, and that's just for this current fiscal year. And what that means, Mr. Chairman, is that every woman, man, and child in this province are faced with an interest cost of about \$3,400 each per year — that's a \$3,400 a year per man, woman, and child. For a family of four, that's nearly \$15,000 a year interest payments.

What this government has done, as well, is not just left a legacy that future generations will be paying for, but they have, as well with the deficit, done a double dirty, in my view, on the people of this province. With the deficit, if you are going to create jobs and charge the economy — that is charge up the economy, not charge the economy — perhaps a deficit is worthwhile. But what has happened here in this province and with this

Conservative government is that we have seen the fastest growing deficit in North America be established by this Conservative government, and with that, Mr. Chairman . . .

Mr. Chairman: — Why is the member on his feet?

Mr. Martin: — Mr. Chairman, I would like to ask leave of the House to introduce some guests in the Speaker's gallery.

Leave granted.

INTRODUCTION OF GUESTS

Mr. Martin: — Thank you. Mr. Speaker, I want to welcome to the House, introduce to all the members and yourself, the 83rd Regina Cub Pack. They meet at Wilfred Walker. There are 32 of them here and a fine looking bunch, as you can see. They have with them chaperons and Cub teachers, Bud Green, Mike Molloy, John Yaehne, David Jeggo, and Mark Poll. And in addition to the 31 in the Speaker's gallery, we also have on the floor Genne Draper and his mother Donna Draper.

Mr. Speaker, I think almost all of us here at some time or other were a Cub and, perhaps, could even recall the prayer of the Cubs, and perhaps I can remember it too:

I promise to do my best, to do my duty to God and the Queen, to obey the laws of the Wolf Cub Pack, and to do a good turn to everyone, every day.

Mr. Chairman, would the members of the House please welcome the 83rd Cub Pack.

Hon. Members: — Hear, hear!

Mr. Trew: — I too would like to join the member from Regina Wascana in welcoming the 83rd Regina Cub Pack. Why I rise on this occasion is that the contact person, Mr. Bud Green, is a long-time acquaintance of mine and has shared some time with me and has been in my house. And I just want to take this opportunity to welcome the group and especially my friend, Bud Green.

Hon. Members: — Hear, hear!

COMMITTEE OF FINANCE

Consolidated Fund Budgetary Expenditure Energy and Mines Ordinary Expenditure — Vote 23

Item 1 (continued)

Mr. Solomon: — Thank you, Mr. Chairman. What we have seen as a legacy from this government and its policies, Mr. Chairman, is a deficit of \$3.7 billion, \$3,700 of interest debt, depending on what year you calculate it. The latest calculations is \$3,400 per man, woman, and child.

For every Cub in this Assembly today, they are carrying with them an interest payment on an annual basis of \$3,700 per year as of right now. As the deficit grows, Mr.

Chairman, the debt on their shoulders grows as well. And where, where in that, Mr. Chairman, is the Government of Saskatchewan going to get the money to pay for this kind of burgeoning debt? Well, what they've done is very clear. Rather than to create employment, which would generate money in the economy, which would generate business activity in the economy, and through the multiplier effect of 3:1 would generate a significant amount of additional tax revenue through personal income taxes, sales taxes, and the like, what they have done, Mr. Chairman, is that they have forgone about \$2 billion of royalty income to the large multinationals, which has left the province.

What we have seen, Mr. Chairman, is not just a deficit of \$3.7 billion, but we have seen, as well, a total lack of credibility displayed in spades by this Conservative government. We have seen, for example, in writing, in pamphlets after pamphlets, in commitments after commitments by all the members opposite, that they were going to decrease personal income tax by 10 per cent if they became government. Well that promise, as all the taxpayers in this province know, is gone.

That promise, Mr. Chairman, has not materialized. Instead, in fact, of a 10 per cent personal income tax reduction they have added another tax on to the people of this province's personal income tax rate, the flat tax, and we now have an additional tax on this province in terms of personal income of about 30 per cent since they got elected five, six years ago.

As well, Mr. Chairman, we have seen their credibility shattered when they made a promise to do away with the sales tax. They promised to eliminate the 5 per cent E&H tax in the province of Saskatchewan. Instead of eliminating the sales tax, Mr. Chairman, they have increased it by 40 per cent. It has no zoomed from 5 per cent to 7 per cent. And this, Mr. Chairman, is another clear example of the lack of credibility of the Conservative government opposite.

What they've also done in the past, in terms of affecting their credibility and destroying it, is they have promised to do away with the gas tax. The Premier of this province, the member from Estevan, stood out front of this Legislative Assembly Building in May of 1982, and he promised to the TV cameras and the people of this province and to all the people that were there, that as long as there was a Conservative government in this province, we would never see a gas tax reintroduced. That is what the Premier said. It's on the record, it's in newspapers, it's on television film, and it's in the ears and the memories, seared in the memories of people around this province as another example of the lack of credibility of the Premier of this province and the lack of credibility of this government opposite.

Mr. Chairman, the reason I'm mentioning some of these major difficulties the government is crippled with right now — their lack of credibility, the massive debt that they've been the author of, the fact they've burdened taxpayers in record amounts with tax increases, and they have lost all credibility — is because, Mr. Chairman we want to determine tonight, and we want to establish tonight, that whatever this government says is tarnished

with that lack of credibility. And the people of this province must be aware of that, and they will, with respect to answers that are given tonight and from previous and further ministers.

Mr. Chairman, with the forgone revenues in terms of oil royalties — the \$2 billion that I spoke about a few moments ago — that would have produced a significant amount of economic benefit to this province if it was collected. It's forgone because, in times of the highest oil prices in the history of the world, this government reduced oil royalties and therefore crippled their ability to secure revenue to operate the province in a reasonable fashion, without having to increase taxes to the individuals and taxpayers of this province.

(1915)

And when I say \$2 billion, it's not a matter of \$2 billion, because every dollar that government spends in the economy, any economist will tell you that the economic impact of that dollar is about a multiplier effect of three. So if government is going to spend \$1 billion in the economy of Saskatchewan, it will generate another \$3 billion of economic activity.

So if we've forgone the \$2 billion in oil royalty revenues in times of the highest prices for oil in the history of the world, we have not just forgone the \$2 billion one-time royalty revenue for the people of this province, we have forgone . . . we have a lost opportunity as a result of the policies of this government, a lost opportunity, Mr. Chairman, of \$2 billion in revenues plus another \$6 billion in economic activity. That's a total of \$8 billion that could have been spent in this province over the last six years — \$8 billion wouldn't created a significant number of jobs, tens and tens of thousands of jobs; \$8 billion of economic activity would've reduced the number of record bankruptcies we've had in businesses across this province; \$8 billion in lost opportunity, Mr. Chairman, would've been very important to these Cubs in the Speaker's gallery today, and to all children and adults in the province of Saskatchewan.

And I maintain, Mr. Chairman, that because of this lost opportunity, this lost opportunity for jobs and saving businesses and promoting business throughout the province of Saskatchewan, that this government really is an incredible government. They have not helped the people of this province.

The \$2 billion royalty holiday, where has it gone now? Well those poor, starving corporations like Shell and Exxon and Texaco, and other major multinationals, have taken their money and run. It wouldn't have been so bad if they had spent that money right here in the province of Saskatchewan. But it didn't happen; it just didn't happen, Mr. Chairman.

The resources . . . And the point I want to make tonight to the members and the people who are watching this on television and to the Cubs and their escorts in the Speaker's gallery is this: the resources of this province, whether they be natural resources, non-renewable resources, or other resources, belong to the people of

Saskatchewan — not just current generations, but future generations as well.

And what we see here, Mr. Chairman, is the government being the custodian of those resources. And the government has an obligation to ensure that the people get a fair and reasonable return for these non-renewable resources, such as oil and others. And the most important thing, Mr. Chairman, is that the government has the obligation and the duty to husband those resources and to manage those resources so that future generations get a fair share. And, Mr. Chairman, what we have seen here is not a government that has been living up to its obligation. On the contrary, we have seen a government that has totally shed its obligation and not looked towards managing and husbanding resources for the future of Saskatchewan people, but in fact, they've been negligent in their duty as government.

Unfortunately your policy allowed the wholesale give-away at fire-sale prices of these limited resources. The big oil companies eagerly took the huge profits when prices were high without any obligation to reinvest those profits now when prices are low. The financial burden is left with who, Mr. Chairman? The financial burden is left with the families of Saskatchewan. The financial burden of welfare for the oil companies is placed by your government directly on the backs of ordinary Saskatchewan people. And this year we see more welfare for the oil companies at a time when they are recording record profits. Shell Canada's 1987 profit, Mr. Chairman, is more than double what it was in 1986; it goes from \$154 million to \$350 million. This at a time when the oil companies are pleading poverty in terms of low oil prices around the world.

This year, the Conservative government in Saskatchewan has reduced resource royalties and freehold production taxes once again by 1 per cent. There's absolutely no guarantee that when oil prices again rise, the industry will make concessions to the public purse in good times. Under your government, Madam Minister, the oil sector has come to expect regular reductions in royalty levels. When prices rise again, the oil industry will reap huge benefits under your royalty structure and the Canada-U.S. so-called free trade agreement, which, by the way, eliminates export and price controls on a North American scale and ties us into a continental energy policy.

My question, Madam Minister, at this point is: where do the subsidies for the oil companies end?

Hon. Mrs. Smith: — Mr. Chairman, we're obviously back into the same old questions that have been coming for about five to six years now. It's the give-away argument, and I basically haven't heard anything new here tonight that I didn't hear from the hon. member from Saskatoon South last year, and that's rather unfortunate.

I guess on one hand, I had expected something more out of the hon. member from Regina North West, for some very good reasons, Mr. Chairman. I had seen him at a couple of industry functions, taking the opportunity to get to know some of the industry people, to talk with them and get to know some of the issues. I thought he would have realized with a great many of the people that he's

probably had an opportunity to meet, that they are in fact Saskatchewan people.

What's more, Mr. Chairman, if the member agreed with that, I would have thought he would have learned by now that the Saskatchewan oil and gas industry, by far, Mr. Chairman, is made up of small companies to medium. In fact, Mr. Chairman, out of the 300-odd oil and gas companies in this province, I would guess about less than 10 per cent are actually the major multinationals that the hon. member refers to.

The member has asked about when we are going to quit subsidizing oil companies. Mr. Chairman, we've never had what I would call a subsidy for oil companies. Now perhaps the member and I can get into a fine debate on the definition of a subsidy. We haven't even had a straight-out cash grant as an incentive, which the member should be familiar with. When he was in power previous to 1982, he and his government in fact did have a straight cash grant as an incentive program for drilling activity.

Now, Mr. Chairman, if he wants to debate what kind of incentives are the best kind, then I think that would be a most appropriate debate for this Assembly because that is basically the issue that the member is raising — is the incentive programs put into place the best for Saskatchewan and the best for Saskatchewan people? And, Mr. Chairman we've been through that last year, but I would be delighted to go through it again because it in fact is a very positive story for this province and for the people that work in this province and the people that get some benefits through social programs and other programs from revenue derived from government revenues.

Mr. Chairman, we all in here know the history of the oil industry within Saskatchewan. We've also heard a lot of figures tossed around. For example, the member tonight has used the figure, 2 billion, and that's unfortunate because it is one more niche in their credibility as to what kind of figures in fact are really the truth. The hon. member, the Deputy House Leader, or the House Leader from Regina North . . . or Regina North East, I believe, has used the figure of the give-away of \$1.7 billion. Well tonight . . .

An Hon. Member: — That's what it is.

Hon. Mrs. Smith: — Well the member from Regina North East says it in fact is 1.7 billion, and yet the member from Regina North West has used the figure 2 billion.

The other day in the House, the member from Regina North East says it in fact is 1.7 billion, and yet the member from Regina North West has used the figure 2 billion.

The other day in the House, the member from Regina North sat in this House, and he says it's \$2.8 billion that has been given away to the oil companies. And then to add further confusion to it, somebody with a stroke of a pen tonight has multiplied it and come up with the figure, 8 billion. The credibility gap, Mr. Chairman, for the opposition across the way when it comes to oil policies and oil revenues has something to be desired.

Mr. Chairman, over the last few years Saskatchewan indeed can be proud of what it has accomplished within the oil and the gas sector. From 1972 to approximately 1981 what we in fact saw in the province was a situation

that someone should have been concerned about. In 1971, I believe, when the NDP came into power, they started off with about 86 million barrels of oil in reserves in place. By the time they left office, Mr. Chairman, that had dropped to 46 million. Someone somewhere forgot to add up that if the reserves are not added to, the drilling doesn't take place. Sooner or later there are going to be no reserves, and the revenue is not going to come in for the future.

Mr. Chairman, the policy that has been put into place is one that puts no risk with the taxpayer's dollar; government give out no money. What it simply says is: if you are willing to invest and take up a drilling program for oil in this province, the royalty structure does not kick into place until a certain period of time.

Mr. Chairman, if you were to lay out the two incentive programs, the programs under this PC government and the past program under the NDP government, I think even the member from Regina North West would agree that the one this government has chose is the most sensible and best for people and the province. It does not put the taxpayer dollar at risk. It rewards success.

And is saying that, I would remind the member that his party to the west, the Alberta NDP, in fact have put in a policy within their party statement in that program that they would in fact put in for the oil industry, in the province of Alberta, an incentive program that rewards successes until the well pays out.

Manitoba, Mr. Chairman, has done very similar to what Saskatchewan did two or three years ago. They took a look at their oil industry; they knew that they had to compete; they didn't live in isolation; they put in many of the points that Saskatchewan has put in. So subsidies, no, Mr. Chairman. We do not subsidize the oil industry as the member has said.

Yes, there is a royalty holiday program put into place. Yes, the royalty structure was revised at the end of 1986 to make it price sensitive, and I think if he were to study the material that we sent to him, he would find that in fact the price-sensitive system does indeed make sense and is a fair system.

There's no doubt, Mr. Chairman, that when it comes to being Minister of Energy and Mines, I think anybody in this room would like the prices of oil to be high. I don't know that the consumers would because when that price goes up, as is often the case, so does the price of gas. However, the reality is that the price of oil does impact on the provincial revenues, Mr. Chairman.

I've often wondered about some of the numbers that the NDP have used and how they came about that number. I suspect that it's very simplistic and it's with a little bit of tunnel vision, or narrow vision at the very minimum, in looking at one category of the facts before them. That's unfortunate because it does not tell the whole story and it's certainly not the facts that you would even consider in looking at the development of a policy.

Mr. Solomon: — Well, Mr. Chairman, I appreciate the minister's comments. First of all, I would just like to point

out that whether it's 1.2 or 2.0 or \$2.8 billion in lost royalty revenues to the province and the people of this province, it's 1.2 or 2.0 or 2.8 too much. That's the point we're trying to make. But just for the record, Mr. Chairman, I want to point out that the calculations that I used were based on the following assumption: and that was that the production of crude oil had remained at 9.5 million cubic metres and the royalty percentage at '82, 1982, was at 54 per cent. If you include up to about where we are in 1988, we'd be around \$5 billion in comparison to the revenues of 3.0 so we're looking, from those assumptions, Mr. Chairman, the figures that I've achieved and researched.

(1930)

I'd like to thank the minister as well . . . So for the record I'm saying, the figures that we've got here are estimates, and I'm saying it's about \$2 billion, and whether it's 1.8 or 2.2, that's not the point. The point is that people of this province have forgone that amount of money, that amount of money plus the economic activity therefrom.

I'd like to also, Mr. Chairman, take this opportunity to thank the minister for sending the information to me with regard to her department. Although I didn't get it till later this afternoon, it was about this thick, and I will probably get through the material in the next day or two but haven't had an opportunity to consume it.

I would, Madam Minister, note that public statements again this year by the Independent Petroleum Association of Canada . . . and before I get to that, I want to say that, yes, I have been around to a few functions where oil people gather, to seek information, to do submission outreach, and to get a better understanding of the oil business from their perspective, and I appreciate those meetings, and I look forward to many more. I am just scratching the surface because I haven't been in this critic post for a very long time, but I can tell you that among the people that I've spoken to in the oil business, both producers and explorers and actually oil field service people, they tell me that there's some concern about the policies of this government — some concern about the oil policy, but more importantly, they're very concerned about their economic policies, apart from energy. They're very concerned about the record tax increases on the people of this province by this government, and they're very concerned, as well, about the number of people having some difficult times in the oil business and moving outside of areas, for example, like Lloydminster, and going into other oil patches.

But I note, Madam Minister, that public statements, again this year, by the Independent Petroleum Association of Canada regarding Saskatchewan's royalty structure in relation to Alberta's. And my question is: does the minister have any more plans in the future to reduce Saskatchewan's oil royalty structure further?

Hon. Mrs. Smith: — Just to answer the member's question, Mr. Chairman, he asks if we have any more plans to reduce the royalties further. The member should be aware that within that price-sensitive royalty structure, in fact depending on the productivity and where price is,

it's not lower, it in fact is higher, depending on what price it reaches. So that's the theory behind the price-sensitive royalty structure. It's not automatically lower.

It is lower indeed for lower producing wells, and the reason for that, Mr. Chairman, as the member probably knows, is to ensure that those wells do indeed keep pumping. Because if they shut in, we collect nothing. The municipality collects nothing in terms of taxation and jobs are lost, and he knows the effect of that on people.

I thank the member for telling me how he had figured out his 2.8 . . . or, I'm sorry, 2 billion figure. I had assumed that it was based on some of the assumptions that the member from Saskatoon South had used last year and, in fact, that's what it was . . . (inaudible interjection) . . . Well, that's what it is. I believe if you read last year's *Hansard*, you will find that he had those assumptions built in too.

Mr. Chairman, I think anyone that is going to base their figures on assumptions, I can understand why they came up with some of the policies they did and perhaps even agreed with the national energy program when it came into place. I would say to the member, if he is going to compare revenue shares, he at least be sure that he is only comparing revenues which the province is responsible for collecting.

Mr. Chairman, I want to refer back to 1981-82 because that is one of the figures that is built in to the formula that the member finally got to. And he has conveniently included \$164 million in revenue which was collected by the federal government under the export tax system. He has also included, or chosen to ignore, the \$60 million that the NDP paid out in straight cash grants to the oil industry. And, of course, he mentions nothing to the liability that they left in place for the people of Saskatchewan to the tune of \$300 million to be paid to oil companies, where did the \$300 million in liability rest? Well that's an interesting tale in itself, Mr. Chairman, because by far the majority of it was to go to the major oil companies, which have bought up credits from the oil companies under some complicated system that the NDP had come up with. Well we know what happened, the wells weren't drilled — and even if there was a dry well drilled, you still got paid for doing that. It simply didn't work, Mr. Chairman. And as a consequence we saw the reserves of our base go down, we saw people leave the province, but of course we did collect our export tax. So the member has included some of those issues in getting to the calculation of his formula.

Interestingly enough, Mr. Member, if you were to exclude that export tax, your revenue share would drop to about 35 per cent. I don't know if you have done that calculation, but that 164 million would take your share down to 35 per cent. If you were to take that \$60 million and do some further deductions, you're now close to 30 per cent, you're far from 54 per cent.

So, Mr. Chairman . . . (inaudible interjection) . . . No, I'm not saying that at all. All I'm saying is: take a realistic look at the actual figures, what was in place, and you simply cannot base it on all assumptions. That's not realistic, and

nor is it logical when it comes to oil. For example, you're going to have a natural growth decline, if you had 80 wells and drilled no more, they would not keep producing the same amount of production — there's a natural decline there. You . . . (inaudible interjection) . . . Most of them, most of them . . . You only have to look at all three. Alberta, Saskatchewan, and Manitoba, and you will see that the reserve base does in fact decline.

In fact I think that the statistics out of Manitoba are rather startling. It's why governments, and your past leader of the opposition agreed, it is precisely the reason why governments look at incentives to initiate or to spur on drilling because that natural decline is in fact there.

Let me give the hon. member an example. The average well in 1981 was capable of producing 21 barrels per day. In 1987, the average well is capable of producing 15 barrels a day . . .

An Hon. Member: — It depends who you're talking to. Some say 18.

Hon. Mrs. Smith: — Well perhaps you're right. It depends who you talk to. You know, who I talk to is the Department of Energy and Mines. They have people in the field — the geologists, the engineers — and I think their level of expertise is fairly well-known right across western Canada.

You should also know that under the current price-sensitive system, the average royalty rate difference between 21 and 15 barrels per day accounts for about 3 percentage points. So that . . . you might want to think about that for a while.

Mr. Chairman, the ratio of old oil to new oil has been dropping, and that's a factor in your assumptions as new wells come on stream and the old wells are depleted. The percentage of new oil in 1981 was 33 per cent; today it's approximately 80 per cent. New oil has had a lower royalty rate under both the NDP schedule and the current schedule, and new royalty rates have typically been about 8 to 10 percentage points lower than old oil rates. So take that into consideration, too.

Mr. Chairman, as our conventional reserves are depleted, greater proportions of our production in fact come from enhanced oil recover projects, and the percentage of our EOR (enhanced oil recovery) oil in 1981 was less than 1 per cent; it is now almost 5 per cent. The costs are much higher, and the net operating income for the companies is very much lower. And that's going to be an issue, that's going to be an issue that governments are going to have to grapple with not only now but in the future as you get into more of the EOR.

Mr. Chairman, let me simply finish up by saying that if I took assumptions that the NDP program had stayed in place and various other assumptions, in fact what you would end up with today is that you would have 6,600 fewer wells drilled over our period of time. There would be 1.6 billion less in the oilfield investment; there would be 5,000 fewer jobs, and that's a conservative estimate in more ways than one, and there would be 124 million fewer barrels of oil produced. Translate that into revenue

over that period of time, Mr. Chairman, '82 to now, you'd have \$734 million less in direct government revenue, and that's based on the statistics that are in place, not merely on assumptions based on what I called half-baked figures.

Mr. Solomon: — Well, Mr. Chairman, that comment by the minister begs a response. And the response I want to make is that yes, there are assumptions being made. The assumptions that are being made in viewing the record of this government is that come the next election, there's not going to be a Conservative government in this province.

They have increased taxes at record levels, and we've gone over what taxes they've increased. They have slashed and gutted our health care program. They've done away with the prescription drug program as we knew it — they've privatized it. They've privatized the dental program. They've put everybody in this province in hock up to their ears. They're in the process now of selling off all of the assets of the people of this province through the privatization of Crown corporations. The assumption from all of those details, Mr. Chairman, is that when the next election rolls around, this minister and other ministers in that government will be viewing this proceeding from television land or from the galleries in this Assembly, not on the floor.

But with regard to the numbers, Mr. Chairman, I don't want to get into a debate on the numbers here because she could tie me up all night in responding to numbers, which she obviously has very highly paid staff there to help her with, and you're looking at the research team of the NDP energy post right here, maybe a half-time person on the side.

And what I want to establish here, Mr. Chairman, is that with regard to new oil coming on stream, we have seen, in the minister's own words — and I'll get to the new oil in a second — but I want to get back to my notes here, and the note is that this government is a complete captive of the industry mainly because it's responding at all times to the large multinational oil companies, it's responding to the threat of shutting in wells. And this government, and all governments, have an obligation to ensure that the people get a fair return on the resources. And in the conversations I've had with the people from the oil industry, when they talked about what our oil policy will be down the road, is a fairly good hearing, when I have said to them in response to their question that we're not after nationalizing everything that's walking in this province or pumping oil; what we're interested in is deciding and determining what the definition of a fair return is on resource for the people of this province, and what a fair return is for the oil producers and explorers and other people in the business.

And their response to me is that that's an important step, and that's an important overview of the industry, and that they're prepared to talk about those things when the government changes because that's all we're looking for, is a fair return.

And according to my definition, the return we've had in the mid-1980s on our oil was not a fair return for the people of this province, and there aren't very many people around here that agree with what the minister is

saying. Regardless of the numbers, it was not a fair return. Even some of the oil people are telling me that it wasn't, and that is a testimony in itself.

(1945)

But what I'd like to do is . . . We would like everyone to see a vigorous oil industry with active Saskatchewan companies, Saskatchewan jobs in Saskatchewan communities. Unfortunately the PC policy has been to give away the resource revenues to the big oil companies when they were and are making record profits.

The member from Weyburn is squealing and whining from his chair, Mr. Chairman, and I can live with that, because he whines and squeals quite often when statements are made in this House that hurt the government opposite because they are truthful. And I am welcoming . . . I'll sit down here and gladly give him an opportunity to get up and make a question to the minister, to put a question forward, because I'm sure everyone who's watching tonight are just waiting with bated breath for the whining, squealing member from Weyburn to get up and ask a question from his feet so they know what he's whining and squealing about.

But when this party and this government threaten to leave or shut off production of the people's resources, the PCs are willing to continue their tax break policies. And this means higher taxes for ordinary farm families and working people across the province, Mr. Chairman. Now the PCs plan to expand the give-away of our resources under the free trade agreement, and we'll be getting into that in a few moments.

But I want to know: how does the minister intend to respond to the oil sector's pressure on the 2 per cent tax on corporate capital?

Hon. Mrs. Smith: — Well, Mr. Chairman, contrary to what the member has said which is: we are captive to the major multinational companies; nothing could be further from the truth. Let me repeat, once again, for the benefit of the member across the way, that the Saskatchewan industry in fact is made up of approximately 90 per cent of small- to medium-size companies — people that live in this province — that he agrees.

If he has really taken the opportunity to talk to the oil industry, including the major multinationals as he says, he will know that it in fact is the major multinationals that aren't necessarily that pleased with what we've put into place. They're not pleased with the fact, Mr. Chairman, that old oil is still a higher royalty than new oil. He'll know that. He should also know, Mr. Chairman, there are other aspects of it that the Canadian Petroleum Association, which in fact does represent the larger companies, are not necessarily that pleased with the 2 per cent surcharge that's been put on because it, in fact, does hit them more than what it does the small to the medium company. I have no intentions, Mr. Chairman, of doing anything about the reaction to the 2 per cent. I don't believe that it's necessary, and I believe that the companies will adjust and they will learn to live with it.

When the member is talking about a fair return, I would

think that anybody would say that if you have the highest taxation, and by taxation I refer to the royalties in North America, then your people are probably getting a fair return. Mr. Chairman, there's a fine balance on that fair return and leaving enough for reinvestment to ensure that you are going to bring some new reserves on. If you don't, you're going to be losing when it comes to the future and then where are you going to get your revenues from? It's an argument that most people — most, Mr. Chairman — understand very clearly.

Mr. Solomon: — Thank you, Mr. Chairman. While I'm up on my feet, my colleagues are canvassing in Elphinstone.

Mr. Chairman, I want to ask . . . I'm pleased to hear that the minister has given assurances that she will not bend under pressure to this corporate tax that she's levied. And many of my colleagues will be here in a few moments to ask some additional questions on that, and perhaps I'll just leave that for a moment.

I note that the minister has made some comment with regard to new and old oil, and what I'd like to know from her is: can she define for us tonight what new oil is as opposed to old oil?

Hon. Mrs. Smith: — Mr. Chairman, I can only hope that my hon. colleague across the way and his colleagues aren't out campaigning at taxpayers' dollars, but time will tell.

An Hon. Member: — No, no.

Hon. Mrs. Smith: — No, no, he says. Okay.

The difference between old oil . . . anything is . . . post-1973 is new, anything before that is old.

Mr. Solomon: — Could you also explain how the royalty affects the old and the new oil, please?

Hon. Mrs. Smith: — Traditionally, Mr. Chairman . . . First of all, let me back up a minute and say that they are both under the price-sensitive system. Traditionally, new oil has been 8 to 10 percentage points lower than old.

Mr. Solomon: — Thank you, Madam Minister. I have a series of figures here with regard to crude oil production in Saskatchewan and Canada and Alberta, and their comparative figures from 1974 to 1986. I'll just go over some of them very briefly, and if you want to just make some quick notes. I want to ask you a question with regard to the Alberta and Saskatchewan comparison.

In 1974 the volume of production in Alberta was about 79 million cubic metres; '75 went down to 67.5 million — and I'm going to round these off — '76 it was down to 61 million; '77 down to 60; 1978 was 60 million; 1979 was 68 million; 1980 was 63 million; '81 was 57 million; '82 was 54; '83 was 55; '84 was 60 million; '85 was 57 million; and '86 was 53 million.

When you compare that to the Saskatchewan, the same years, and I'll start with '74, we went down, we were at 11.7 million cubic metres; 1975 was 9 million; 1976 was about 9 million; '77 was 9.8 million; '78 was about 9.6

million; '79 was 9.3 million; 1980 was 9.3 million; '81 was about 7.4 million; '82 was about 8 million; '83 was 9.5; '84 was about 11; '85 was about 11.6, and '86 was about 11.7.

These figures we got from the library, and I assume that they're correct because they're taken from an oil publication. But my question is, Madam Minister, we've seen in Alberta from 1974 production of about 79 million cubic metres; it's declined steadily to about 53 million in 1986. In Saskatchewan we started at about 11.7 and we're back to about 11.7. My question is: how do you account for Alberta's decline in production, and how do you account for Saskatchewan's trend line where it was about 11.7 decline and came back up to about the same amount? And why — why is that happening? I guess that's the first question I have.

Hon Mrs. Smith: — Mr. Chairman, perhaps a question of clarification so we can make sure that we give some accurate information.

The information, or the figures that you're using, does it include the non-conventional oil out of Alberta, or is that a total figure?

For the member's benefit, Mr. Chairman, the Alberta figures don't match with the figures we have. So I think that it is not including their non-conventional production.

Out of the tar sands area, I think their total cubic metres would probably be around 87 million now, and this shows 53 million which would be on the conventional side — doesn't include the increased investment that both the Alberta government and the industry has put in on the non-conventional side over the last couple of years.

In terms of the Saskatchewan, Mr. Member, I had spoken very briefly a few minutes ago about the natural decline that will take place, and that's what you see: 1974, you have the 11 million cubic feet, and then it goes down until 1981, and then the reserves start to build up again, 1982 and then to 1986, and that is simply from what I believe to be some programs in order to stimulate investment from the private sector.

Mr. Solomon: — I was just trying to help you because you were struggling along on the estimates tonight, so I thought I would give you something to shoot at.

I was not aware that this did not include the tar sands oil. My concern would have been, if these figures were all-encompassing, was that I was curious to know what the Alberta policies were to put the oil industry in the circumstances that they were; and secondly, to determine whether or not the oil royalty-free holiday in Saskatchewan was encouraging infill drilling and sucking out of the resource in an accelerated fashion, rather than encouraging oil companies to seek new finds and new pools of oil and thereby generating more economic activity.

Hon Mrs. Smith: — The Alberta program . . . When it comes to incentives, you should know they redid . . . I think they took a look at their royalty structure, but they

also put into place a royalty holiday very similar to Saskatchewan's, approximately the same time that Manitoba was having a look at it. But it is definitely the non-conventional side where the investments have gone.

You have made reference to the infill wells. In Saskatchewan approximately 10 per cent, or perhaps just a little under, can account for infill wells. But you also must apply to Energy and Mines for a permit for those infill wells, and there is only a couple of reasons for drilling or for giving a permit to in fact drill.

An Hon. Member: — What's to find oil?

Hon Mrs. Smith: — Well they have to show that in fact it is going . . . that it's needed to get the remaining reserves out of that first well, and if there is any damage to the reservoir, and this might prevent it, then they will receive a permit for that.

But like I said, there is approximately 10 per cent that would account for infill wells.

(2000)

Mr. Solomon: — My favourite hockey teams are playing tonight so they thought they'd let me do estimates instead.

Thank you, Minister, I appreciate that answer. Part of the problem, I suppose, that at least I have as an energy critic for the NDP caucus, is that I am concerned that there are too many oil wells being drilled in the infill area. Now you say 10 per cent, that was not a figure I was aware of, I appreciate that. But in that circumstance, with all of the thousands of wells we've got in this province, if 10 per cent of them are in an existing 40-acre pool that means that that pool is going to be dry much quicker and in an accelerated fashion than under normal circumstances.

But my question would be: with respect to the royalty holiday for new oil, are you finding a large number of companies or some companies or few companies seeking and finding new oil pools, or are they just using up property that they have purchased or had on hand over existing pools to get that oil?

Hon Mrs. Smith: — Mr. Chairman, I would like to clarify a point under infill wells. They in fact are not allowed, will not be given a permit if it means that they are going to indeed accelerate depletion of that reserve. One of the reasons, as I had stated —perhaps not clearly enough — was that you may be going to have a tough time getting what is left at the bottom of that reserve up, and if it means that you are not going to get it, but an infill well will in fact enhance your opportunity to bring that up, then it will be given. So it is not done in order to accelerate the depletion of the base.

Exploratory wells . . . We have in 1985, I guess was late '85 or early in '86, was the first opportunity for deep wells, and those in fact were exploratory, and about 20 to 25 per cent would come under the category of exploratory outside of the reserves that were there before.

Mr. Solomon: — Under this new policy, Madam Minister . . . You didn't quite answer some of the other questions

that I asked with regard to oil companies finding new oil pools. Under this program, have there been a number of companies, and how many, finding new pools, as opposed to sinking wells in pools that are already there? And I note . . . The reason I ask that is I note that the number of dry wells coming up are very few and far between — in particular in Saskatchewan — and I am concerned about the depletion of the resource, in particular, in an accelerated fashion.

Hon Mrs. Smith: — Well, perhaps the member did not understand, Mr. Chairman. The exploratory wells are in fact new pools.

Mr. Solomon: — Well what you're saying is that the oil royalty holiday, the three-year holiday, is for new oil, even though it was pumping oil, or the oil was discovered? Or is it for new finds? I'm not clear on that.

Hon Mrs. Smith: — The royalty holiday for exploratory wells, deep wells, is in fact a five-year program, and if it's an infill it is only one year, and the other category is for three years.

Mr. Solomon: — The three-year holiday applied to which wells, Madam Minister?

Hon Mrs. Smith: — The middle category, or those that would qualify for the three-year holiday program would be what we call a development well. Now that's inside a known area or a known pool, and if you are going to expand that pool, it would be classified as a development well. If it is outside of that known pool, new reserves, new discovery, then it comes under the exploratory.

Mr. Solomon: — Thank you. Shell Oil, Mr. Chairman, announced a couple of weeks ago that they were shutting in some wells for a temporary period near the member of Weyburn's constituency. I'm curious to know if you have a number for us as to how many wells they shut in and for what duration and whether that's going to impact on any revenue projections that you may have in the current estimates.

Hon Mrs. Smith: — I am not aware of any wells shut in on behalf of Shell. What I am aware of is that in fact the market that Shell has had and they buy . . . They are a major purchaser and they buy from other producers and they ship it to their refinery down East and their refinery is shut in, I believe, for about a month, perhaps longer, for some major maintenance time. When that happens, then the producers are cut back. If they can find another market for their oil in that period of time, there would be no problem. But the wells are not shut in.

Mr. Solomon: — Thank you, Madam Minister. I want to now turn to the so-called free trade agreement, Mr. Chairman, and it's the Mulroney-Reagan secret trade deal in the talk on the streets. And I think the problem we've got with it is that the more people find out about this deal, the less they like it.

The reason that's the case, Mr. Chairman, is that we have in this country a Prime Minister and a Conservative federal government, the sister government to this provincial government of ours — and I use the term very

loosely — who, in secret meetings, have made arrangements with the United States of America to sell our energy down the drain.

And the implications of the Mulroney-Reagan trade agreement energy provisions are very massive. They appear to be inconsistent with the provisions of the constitution regarding provincial ownership and control of resources.

There are important ambiguities and grey areas in the agreement that offer fertile ground for U.S. challenge to any provincial laws regulating prices, imposing indirect taxes, or controlling production — in short, the major provincial controls secured by the resource agreement.

Premier Don Getty of Alberta and our own Premier of Saskatchewan maintain that their provinces will not lose any control of their energy industry under free trade, or their right to conserve its resources. That may be the case in theory, but there are elements in the free trade agreement that could hinder Alberta's and Saskatchewan's ability to exercise those rights.

Moreover, this trade deal gives the U.S. almost totally unrestricted access to Canadian energy resources — oil, natural gas and hydro, as well as coal — on the same terms and conditions, Mr. Chairman, as Canadians.

Let me briefly list what we have abandoned in this agreement before I discuss them in greater detail. What Canadians have abandoned through our Prime Minister in this agreement is: one, we have agreed to share out energy with the U.S. even when Canadians run short; secondly, we have agreed to abandon the potential for new industrial development based on preferential energy rates. We have agreed to abandon our energy export controls and agreed to allow Americans the ability to buy up the ownership and control of even more of our resources. Fourthly, we have abandoned our 80-year policy of protecting future Canadian requirements through mandatory reserves. Five, we have agreed not to charge Americans higher prices than Canadians, regardless of market conditions, regardless of whether there are shortages. And finally we have agreed, Mr. Chairman, to "consult on energy regulatory actions" in the future.

All of this given up in five short pages in the trade agreement. And I have it right here. I want to keep it very close because I think there is some important things we want to talk about in there.

It must be remembered that Canada has been exporting our oil to the United States since the beginning of our oil production. In Saskatchewan this has normally been about 60 per cent of our production — and that's an estimate — but Canada's been exporting approximately 800,000 barrels of oil per day to the U.S. over the last three years. Only four years ago, the level of exports was 400,000 barrels per day, and that was the highest in our history. So our exports have doubled since then, since the record level of 400,000.

There has never been a time in our history, Mr. Chairman, when the United States has not been prepared to buy all

the oil we were prepared to sell them. The problem has been the reverse: we have never been able to satisfy their demand for our oil. Yet with article 904 of this agreement, Canada has agreed not to restrict the supply of energy to the U.S. below the level of what they have received over the previous three years.

This means that the Americans are entitled to continue to receive about 800,000 barrels per day from us, and we are powerless to deny this to them. We have given away our independence, we have surrendered our sovereignty and our right to control and manage this vital resource. We are the only country in the world, Mr. Chairman, the only country in the world through this agreement, this secret deal, that cannot set its own domestic price of oil. We're the only country in the world, Mr. Chairman.

(2015)

Even in the case of short supply or exhaustion of a resource, one of the resources I've mentioned, the United States is to be given proportional access, which is the average of their consumption over the previous three years. Isn't this, Madam Minister, an intolerable situation? Could the minister explain why we would surrender our sovereignty in this manner.

Some would argue, some in this House would argue that we had to give up this control over our own resources in order to get access to the American market. Again, I ask the minister, and I ask you to think about this: when is the last time that Americans didn't want Canada's oil and natural gas?

Hon Mrs. Smith: — Mr. Chairman, there's been a fair amount of discussion as it pertains to the Canada-U.S.A. trade agreement, and my colleague, the member from Kindersley, has spoken to it and spoken well. I can only assume that perhaps the member from Regina North West was not here or not listening.

As it deals — the Canada-U.S.A. trade agreement, Mr. Chairman — with the energy chapter, I think there has been a great deal of misinformation and misunderstanding from the party across the way. I have, in some of my travels of the province on behalf of the member from Kindersley, heard some concerns raised as to rumours that they had heard from the NDP on how this trade agreement was going to affect the energy. On the issues, security of supply and a couple of others that the member has raised, Mr. Chairman, most of what the NDP is saying is simply not true — if not all of it.

It simply is not the case that we are going to lose control over our resources, that we are no longer going to be able to control our resources, that those in the U.S.A. are going to be nice and warm in the winter-time while we freeze in the dark in the winter-time in Canada. It's a myth perpetuated very similar to the old medicare scare that has been around this province since about 1975 — the same line, the same story, and when the program is actually put into place or the even happens, we all find out that the myth is precisely that, a myth, and tonight we're hearing it again, Mr. Chairman.

Mr. Chairman, the member has asked about the U.S.

wanting our oil and gas. I would remind the member there was a period of time in Saskatchewan's history and Canada's history when in fact perhaps the U.S.A. didn't even know that Saskatchewan had gas. Export permits, there were none. Was there even a gas industry? No, and that was prior to 1982 that the "no" applies to, Mr. Chairman.

In oil, what can I say to the member? Heavy oil is what Saskatchewan can produce and will produce in the future. And it is going to be that heavy oil, Mr. Chairman, that is going to be there when the light and the medium runs dry. So the future for Saskatchewan and Saskatchewan citizens is going to rest with heavy oil, as is the future for a great deal of other Canadians if Canada indeed is going to be self-sufficient when it comes to oil. But, Mr. Chairman, where does our heavy oil go to? We have no market for it outside of a very small proportion that is utilized for asphalt. The rest all goes south of the border, the U.S.A. That has been happening for a long time, Mr. Chairman. I never heard the member from Regina North West, or for that matter any other member from across the way, talk about how they shouldn't be exporting any heavy oil to the United States when they were in power. Of course they didn't. So now the issue comes up with the trade agreement — well we believe in trade; yes, we should be trading; and we should sell our oil to that market, but we just don't like your agreement; not that agreement. Well it's been one excuse for them after another, Mr. Chairman.

I want to take the member back to the days of the national energy program and very heavy regulation as it pertained to both the oil and the gas sector. And the reason I raise it is because that in fact did have a very large impact on our ability to trade and to trade with a fair price and a fair return back to the people of Saskatchewan.

The national energy program back then, Mr. Chairman, did a couple of things. First of all, it controlled prices, and I might add, that control took place to the detriment of western Canada. In fact, western Canada, in particular Alberta and Saskatchewan, lost millions of dollars to that program. Not only did it control prices, Mr. Chairman, but it controlled the quantity — in other words, the exports, if you could export across the border or not. It also put in what we considered to be some pretty distorted incentives, such as 80 per cent grants for the east coast and a very low rate for those on the west coast. I don't think that in particular is very fair, Mr. Chairman.

This trade agreement, Mr. Chairman, when it comes to control for the province . . .

An Hon. Member: — We're surrendering our sovereignty, is the question.

Hon Mrs. Smith: — Well he says, we're surrendering our sovereignty control. No, that's not true.

An Hon. Member: — No, no. We're surrendering sovereignty.

Hon Mrs. Smith: — Well that isn't true either. It doesn't matter how you phrase it, it simply isn't true.

Mr. Chairman, we are not going to lose control over our energy resources. That simply is not true. And if anyone out there in fact does have a concern, I encourage them to get a copy of the trade agreement and to read it very carefully, and if they then have some questions, we would be pleased to give them any information they require out of the Department of Energy and Mines.

Mr. Chairman, we're going to continue to be able to control the quantities of energy commodities being produced — the quantities. That's contrary to what the member has just said. And we are going to be able to control the pace at which the new resource developments in fact are brought on stream. These powers, in fact, Mr. Chairman, are provided for us under the Canadian constitution. Saskatchewan's ability to provide exploration incentives, to provide for royalties and taxation, to provide tax credits, to require prorationing of production, to restrict production for conservation purposes — all of that remains in place under the free trade agreement. And, Mr. Chairman, we're going to continue to have authority to ensure that our own contractual requirements are provided for before authorizing any exports out of this province.

Mr. Chairman, the security of supply issue gets a lot of tossing around and not always with perhaps some of the history that should go with it. I want to remind the member that when it comes to the security of supply, Canada, in fact, was a member of the International Energy Agency which was created in 1974, and basically what the signing of that agreement did was ensure that in times of emergency, both countries would, indeed, share their resources — very similar to the wording that is in place in the trade agreement now.

So you were in power in 1974. From 1974 to 1981, you were operating an oil industry or oil policies in a country that basically had that same clause. And for your benefit, if you want to mark it down, I'll repeat it. It was the International Energy Agency, and that in fact was created in 1974.

And here's what it did. It required its members to maintain emergency oil reserves equal to 90 days of net imports. Now at present this requirement is not relevant to Canada since we are a net oil exporter. A central feature of this agreement was the emergency sharing system, and it said, for the initials ESS, may be activated when one or more of its member countries experiences a reduction in normal oil supplies equal to 7 per cent or more of current consumption. Each member country is required to restrain oil demand by 7 per cent and/or draw upon its emergency reserves. Oil made available by these measures is then shared among the member countries, and Canada was a member to that at that time, along with the U.S.A.

So in short, Mr. Chairman, what is being said about our loss of control is simply not true. That's covered under the constitution. We are going to be able to do the things that we do now, which includes the provision of incentives, the setting of royalty structures, and other matters that a government may deem fit when it comes to its energy policies.

Mr. Chairman, if there was anything positive for this end of our resources and this trade agreement, it would be for the oil and gas sector. In fact what it does, it supplies a market without a lot of red tape to go through, and if one learns quickly in looking at energy policy, if there is not good, fair access to markets, then the investment does not take place. That's been the history of this sector and that will continue to be the fact when it comes to oil and gas.

The people, through their governments, are still going to be in control, but it definitely allows a very positive aspect through the increased access to markets with a degree of insurance that they are not going to be penalized because they in fact are in export or importing into that country.

Mr. Solomon: — Mr. Chairman, and Madam Minister, what you are saying is that this free trade agreement, which I have a copy of here, is not really saying what it says. That's what you were telling us this evening.

The Toronto Star published a secret government report around Christmas time, and they reported on this government secret document of Mr. Mulroney that the more Canadians learned about the program of free trade that the less they would like it.

And the reason is, the reason is, Madam Minister, is because there was information in this agreement, a nice thin agreement of 300-and-some pages at least, in short writing plus appendices, which really outlines a very clear policy with regard to surrendering our independence with respect to domestic oil pricing and exports.

The issue is not a matter of free trade; the issue is this agreement. And I'm going to read article 904 with regard to export measures which is in contrary to what you were saying a few moments ago. Article 904, other export measures with regard to energy, page 146. And I quote:

Either Party (that is, the Americans or Canadians) may maintain or introduce a restriction otherwise justified under the provisions of Articles XI:2(a) and XX(g), (i) and (j) of the GATT with respect to the export of an energy good of the Party to the territory of the other Party, only if:

- a) the restriction does not reduce the proportion of the total export shipments for a specific energy good made available to the other Party relative to the total supply of that good of the Party maintaining the restriction as compared to the proportion prevailing in the most recent 36-month period for which data are available prior to the imposition of the measure . . .

(2030)

What that means, Madam Minister, is that if we determine there's a shortage of energy in Canada, that we cannot terminate our exports to meet our energy requirements in this country because this agreement says that we must, even in the shortage of energy situation, provide the Americans with the same volume of oil as the previous three-year average. That's in this agreement.

That means that Canada, a sovereign nation, at least up until the signing of this secret deal, has lost its independence. You may recall that we are the only country in the world who cannot now set that kind of . . . decision with regard to energy in motion now.

And I'll go on to part (b):

The Party does not impose a higher price for exports of . . . energy . . . to the other Party than the price charged for such energy good when consumed domestically by means of any measures such as licences, fees, taxation and minimum price requirements.

And it goes on. What this means, Madam Minister, section (b) of article 904, is that we can't charge Americans a higher price than we charge Canadians. What this means is that we can't charge Canadians a lower price for energy to meet any kind of objectives of a national government's economic policy that a government has some courage to put together.

Let me give you the American response to a couple of controls that a province can legally implement today, but which will be challenged under this agreement. One of the western provinces, whether it's Saskatchewan or Alberta, anticipating an improvement in market price, limits current production of oil, much the same as the Saskatchewan government did with potash. And as we have pointed out, restrictions on quantity are only permitted during clearly defined emergencies or where conservation is needed because of resource exhaustion. Production controls aimed at ensuring higher future returns are a "disguised restriction on trade" rather than "conservation."

Attempts to restrain production to secure higher prices was, of course, the very power the provinces sought to entrench throughout the energy crisis. On the other hand, what if a province decides to limit production because it foresees a shortage that will hurt provincial consumers? Preferential restrictions that actually reduce the flow of gas and oil to the U.S. clearly are prohibited. Even in those limited cases, in which restrictions are permitted, shortages must be prorated between domestic and export markets. As well, Canada has agreed that it will not bank supplies at the expense of export business and export customers.

They have also guaranteed that any of the so-called surplus tests used by federal or provincial regulatory agencies to gauge whether proposed exports are surplus to the requirements of Canadians will never be applied to restrict flows to the United States.

Now we've got no problem with trading with the Americans; the Americans are our neighbour. It's the longest undefended border in the world. We like trading with the Americans, but this is not a free trade arrangement, Madam Minister, this is a surrendering of our sovereignty.

In sum the treaty provisions are only too clear, and provincial production cuts of this nature are undoubtedly in violation . . . (inaudible interjection) . . . The member

from Weyburn is continuing to whine and heckle from his chair, and he's squealing about this deal. I'm waiting with bated breath for him to stand in this Assembly and enter the debate, as the minister some questions with respect to this agreement, but I don't think he has read the agreement. I don't think anybody over there has read the agreement, perhaps maybe for the Trade minister, and his memory's so weak he's probably forgotten everything he's read.

But in the same article 904 we have agreed that we will not charge the Americans a higher price than we charge ourselves for our resources. In other words, we have locked our country into the world price no matter where that price goes. This may not seem very important when the price of oil is around \$16 or \$17 per barrel, but how will we react when OPEC (Organization of Petroleum Exporting Countries) regains control over international pricing — as they almost certainly will — and drives that price up to new heights.

I ask the minister: do we in western Canada really want to commit ourselves to pay these prices no matter how high they go? Do we want to bind ourselves to pay these prices for a resource which we own and for which we can now charge ourselves whatever we wish?

Hon Mrs. Smith: — Mr. Chairman, we've gotten into two specific sections of the trade agreement. I think the member should know that many people on this side of the House, if not all, have probably read this trade agreement. I wonder if you can say the same thing for across the way.

Section 904 . . . And let me state very clearly that I do not see this agreement as being negative. If I had to define it, I would say common sense would tell you, when you are dealing with a major customer that they be treated the same whether it's good times or bad times, and I think if you were the customer, you would feel the same way.

I think you were probably a business man at one time . . . (inaudible interjection) . . . Well you ask what is wrong with a business commercial contract. I would suggest that the trade agreement comes precisely close to that being a contract between two levels of governments within the United States and within Canada.

Mr. Chairman, the member has dealt with section 904 and subsection (a) on the proportional access. I would invite him to go back and read *Hansard* tomorrow when I talked about the International Energy Agency. It is not much different from that perspective, proportional access, than what has been in place before. Perhaps one could say that it's simply reaffirming what has been there before, plus setting into place a consultation process or a mechanism if disputes arise.

You want to talk about section (b) and lower prices? Who benefited when you were in power and there was a government-controlled price in this country? Who had the benefit? Was it Saskatchewan or Alberta? . . . (inaudible interjection) . . . Canadians you say. Well I'll tell you young fellow, when you see 50 to \$60 million flowing out of this . . . western Canada to east because of a made-in-Canada price on oil, then you better start

re-asking yourself: who got the benefits out of a made-in-Canada policy?

Some Hon. Members: Hear, hear!

Hon Mrs. Smith: — Who? Some Canadians, Mr. Chairman, some Canadians got the benefit. But I'll tell you what else it did. Not too long ago the member gave me a sheet of figures, his figures, that showed a period of time when the reserves went down in Saskatchewan, that precisely ... (inaudible interjection) ... Yes it was, reserves ... or production went down. That's why the incentives were removed. There was no benefit. You couldn't afford to drill in those times. There was no guarantee that you were going to get your money back, that's for sure.

So why would you put your money in and then only to be told that it's a made-in-Canada price and you cannot even sell it in the market at competitive prices? You couldn't do that. Now that doesn't make a whole lot of sense to me, Mr. Chairman, and it doesn't make a lot of sense out there.

An Hon. Member: — Potentially there could be shortages.

Hon Mrs. Smith: — The member says, what about shortages? That's covered under the agreement, and that is the proportional access which we've been privy to, a Canadian — U.S.A. and other countries — agreement for shortages and emergencies. That agreement has been in place, Mr. Chairman, since 1974, and once again for his benefit, it is called the International Energy Agency, created in 1974, and it looked after that end of it.

Mr. Chairman, section 905 of the agreement, I believe, the member has raised, and I guess what I see within this is, first of all, it is talking about the National Energy Board, it is going to hit most at an agency in the States that we call FERC (Federal Energy Regulatory Commission), and the other one is the Economic Regulatory Administration.

The myths that seem to flow from the other side of the House in regards to this agreement is something else again. In fact, Mr. Chairman, I would add that much of it doesn't even deserve comment in terms of the NDP and their interpretation of a trade agreement between the two countries, particularly in light of the trading patterns, the commodities that we are talking about here tonight, and the history of this sector, the oil sector as it relates to Canadian policy.

Mr. Solomon: — Well it's obvious the minister hasn't read the free trade agreement as it applies to energy. And if she has, she's trying to mislead people in this province with respect to what the impact of the free trade agreement is, Mr. Chairman.

Cheap and abundant energy has always been one of Canada's most important competitive advantages in international trade. When the 1973 oil crisis sent western economies into a tail-spin, Canadians learned just how precious their energy resources were as governments took steps to protect consumers and industry from the full impact of rising prices.

For the past 15 years the debate over energy supply and pricing has revolved around the fact that petroleum is a non-renewable resource — once it's gone, it's gone. This comes to a surprise, a major surprise, to the member from Cut Knife-Lloydminster representing an oil-producing constituency, but indeed yes, Mr. Member from Cut Knife-Lloydminster, once the non-renewable resource is gone, it's gone. I'm glad you've learned something tonight.

But with a new round of oil shortages expected to begin in 10 years or less, the Conservatives have signed a trade deal that gives the United States guaranteed peacetime access to Canadian energy resources.

The agreement opens the door to a short-term increase in Canadian export earnings for oil, gas, coal, uranium, and hydroelectric power. But shortly after the deal was announced, a senior Canadian investment banker noted that:

The U.S. wins twice in the long term, once on access to energy supplies and again on the basis that we can no longer use cheap energy as an element of national or industrial policy.

In a letter to Energy minister, Marcel Masse, the Consumers' Association of Canada, asked:

How can a government, which has the interests of Canadians at heart, enter into an arrangement with a foreign power which would provide that power even greater access than Canadians to the diminishing supplies of these essential commodities?

End of question, and that's the question I ask the minister.

(2045)

Hon Mrs. Smith: — Well, Mr. Chairman, we're into talking about shortages. I think most people are, at one time or another through their lives, concerned when it comes to the possibility of shortages of energy. And I know that those in the House have probably lived through — unless there are some really young members around — a time in the '60s . . .

An Hon. Member: — Me.

Hon Mrs. Smith: — The member says he . . . the time in the '60s when we, in fact, did see the threat of shortages, and we saw the price of gasoline and the long line-ups at the pumps, and some pictures like that are still very vivid with people.

I guess when you talk about shortages and relate it to the oilfield, one could say that governments should make sure that they don't get to a point of shortages. I suppose there comes a point in time when that is not realistic, that in fact you will face that shortage many, many years down the road. It's basically one reason, Mr. Chairman, why in fact governments do look at the necessary incentives to encourage finding new reserve base.

Now to date in Canada we have dealt with conventional oil, and the member refers to this 10-year supply. I believe he's probably talking about conventional oil.

If you want to deal with heavy oil . . . And those remain to be developed, whether it's in Saskatchewan, the tar sands, the tar sands in Alberta, then you have some new reserves coming on stream.

There is also the issue of finding oil in the frontiers of Canada, offshore, Mr. Chairman. That is, perhaps, why governments will have to look further for incentives, for encouragement of finding those reserves in the future. Most of the industry knows approximately where those reserves might be, but the cost of actually bringing them on stream is very, very high.

When the member talks about shortages and this agreement, he talks of guarantees. The myth has been left out there, or put out there that in fact this agreement guarantees the Americans our energy. Nothing in fact could be further from the truth. It is not guaranteed.

What the agreement does, it guarantees them the opportunity to bid for our energy. If they don't match the price or get the contract, it won't go to the United States. It is not a guarantee of demanding and then receiving. It's going to . . .

An Hon. Member: — It doesn't say that.

Hon Mrs. Smith: — Well the member says, it doesn't say that. So what is he saying? That anybody in the United States can walk into Saskatchewan and say, I'm buying your oil and here's my price?

An Hon. Member: — No. World price.

Hon Mrs. Smith: — He's not that unrealistic. Well he says, world price. Well we operate, Mr. Chairman, in an environment that in fact our oil sells for world price.

I think that the member's going to find that indeed the American company is going to have to perhaps look at something somewhat higher than the world price because of transportation costs. And that's an issue that he hasn't raised, but that in fact is over and above the going rate of the oil or the gas. And it in fact will not be just at world price, that there indeed are other factors to be considered within the total price — and the major one, Mr. Chairman, of course, is transportation.

So the agreement, Mr. Chairman, is not one of guaranteeing the Americans our energy at their price and at their demand. They must come in if they want it and they must compete with Canadians for the fair price. I think that that indeed, Mr. Chairman, is a fair agreement as it addresses the issue of the proportional access to it. I had stated that there has been an agreement in place since 1974 for energy-producing countries, Canada being one of them, that in fact if there's disruptions that they would all share proportionately. The agreement simply reaffirms that.

Mr. Solomon: — Well the agreement doesn't reaffirm what the minister has said. It doesn't even affirm what she

says. At present, Madam Minister, provinces may impose minimum oil and gas prices in order to ensure fairer returns for diminishing assets. But because the trade treaty prohibits minimum import or export prices, provincial governments can no longer set minimum prices even though the resource amendment purportedly confirmed this power in '82. As it stands, such price setting is prohibited and Ottawa will have to ensure provincial compliance.

Ottawa has already stated that it will undertake all necessary measures to make the agreement fully binding on the provinces. If you don't know about that, that's what they have done. If the Mulroney government intended to grandfather the provincial right to set fair prices, why wasn't this stated clearly in the agreement, Madam Minister? The question is not whether free trade changes provincial law, the issues are the extent of the damage to provincial power and whether the impact is automatic or whether the federal government will be forced to strike down a provincial law that offends the treaty.

Recently, federal Energy minister, Marcel Masse, admitted that the market, not the provinces, will be the key to determining price and policy in a free trade deal. While he doesn't believe the deal impinges on provincial rights, he admitted that the matter might have to be decided by the courts, and he stated, and I quote, "If you have a disagreement of any kind about the constitution, the Supreme Court will decide who is right or wrong."

Technically, provincial powers to regulate the energy industry may remain intact under free trade. What isn't clear is the extent to which the province will be able to exercise those rights, given the fact that the market will dictate the price, and the numerical superiority of the Americans will dictate the market.

Is the minister not concerned with these developments?

Hon Mrs. Smith: — Mr. Chairman, provinces, to my knowledge, have never had the powers to set prices, as this member is suggesting, when it comes to minimum price. In fact, I think if he really thinks about it, he will think back to the time that the Blakeney government, back in the '70s . . . Oh, I'm sorry. Perhaps it was before the '70s . . . Oh, I'm sorry. Perhaps it was before the '70s under Ross Thatcher, had in fact tried to set a price for potash at that time and it was struck down by the courts.

I guess if I would have thought the member was really serious and really believed that he, as a politician in a government, should have a power to set a minimum price, I would wonder where his voice was in '86 when the price of oil went so very low and had such a drastic effect, not only on provincial revenues but on jobs and people and families. I never heard a peep from the member then that minimum price should be there for the price of oil — not one word. And of course there is . . .

An Hon. Member: — Well, there was, there was.

Hon Mrs. Smith: — Well, he says there was, and I remain to be convinced that in fact that was the case. I don't recall anybody from the NDP standing up and saying, it's

time for a minimum price on oil, Mr. Chairman, I can go back over the arguments again about lower prices, but I really don't think that's going to serve any purpose.

We on this side of the House remember very clearly what happened back in the '70s when the national energy program went into place and in fact there was this made-in-Canada price. And it was to the detriment and it was on the backs of the Saskatchewan government and Saskatchewan people at that time, and if there's one thing we don't want, Mr. Chairman, it is precisely that situation.

Mr. Solomon: — Well, Madam Minister will recall that I said that provinces may impose, and that power is now gone, but the non-discriminatory pricing principle has other negative implications as well. For example, this suggests that Canadian governments can no longer offer special rebate programs which give farmers or small-business people a competitive edge on the price of energy.

In addition, the agreement prevents the province from deliberately lowering energy prices to promote industrial growth, and that is a fact. Cheap energy has always been Saskatchewan's hope for economic diversification. Under this so-called agreement, that hope would be lost because we'd no longer be able to sell our energy to ourselves for less than we charge Americans. The prohibition against discriminatory or preferential pricing is total. It covers even the special circumstances in which restrictions on quantity are possible. The regulated prices must be the same on both sides of the border in virtually every circumstance.

Would the minister not agree that, in effect, the government has given up the right to establish a Canadian energy plan that would help build up the economy and resolve regional economic disparity by providing the option of cheaper energy for Canadian consumers and industries?

Hon Mrs. Smith: — No, Mr. Chairman, I don't agree at all. The member either has not read the entire agreement or he is reading between the lines at what he thinks should be there, but it's not there.

Mr. Chairman, and I use for example farmers and small-business rebate programs — governments can still do that. They can still put in incentives to ensure that new drilling, new exploration will take place. That is still possible. And through taxation, governments still retain the power to be able to provide incentives, incentives for economic development for other sectors too, like farmers and small businesses.

Mr. Solomon: — Well, Mr. Chairman, we can debate this . . . I say one thing that coincides with what this free trade agreement says and the minister says the opposite. This is the government of opposites. They promise a 10 per cent personal income tax cut and they give you a 30 per cent increase. They promise never to re-establish the gas tax in this province and they give you a 7 cent a litre gas tax increase. They promise to do away with the sales tax, Mr. Chairman, and instead they give us a 40 per cent increase. That's a government of opposites, when they say they are going to eliminate; they don't eliminate, they

increase. When they say there are going to do away with things like taxes and other things, they don't do away with them, they expand them. When they say they are going to improve our health care, what do they do? They gut and privatize our drug plan and our dental plan, which is hurting thousands of families . . .

Mr. Chairman: — Order, please. Order. I think we should get back on the topic of Energy and Mines.

Mr. Solomon: — I was just getting to that point, Mr. Chairman. I'm glad you reminded me.

This government, Mr. Chairman, is a government of opposites. What they promise and what they say is the opposite of what they deliver and what they do. I'll read out of *The Globe and Mail* on January 22, 1988, entitled: "Trade deal likely to hurt Canada on energy, official says." Don't believe me — although my credibility is still intact with respect to this issue — believe this Ontario official. Okay? And here it is:

The proposed (and I quote, Mr. Chairman,) free-trade deal would probably force Canadians to pay more for oil, natural gas and electricity and make their supplies of these energy sources less secure while giving them very little in return, a senior official in Ontario's Energy Ministry said yesterday.

Perhaps the officials in this department, and perhaps the officials here, Mr. Chairman, have spoken to this official. The report was by Bruce MacOdrum, assistant deputy minister for policy and planning, and he goes on to say that:

Producers who support the deal, which would reduce the ability of federal and provincial governments to regulate energy prices (in Canada) and supplies . . . (are the same guys) that want government to stay out of their business when times are good, but demand help when market forces drive prices down.

And they go on to say, "I resent the double standard they're presenting."

(2100)

Mr. Chairman, the United States is an energy-hungry nation, which can't produce enough energy to meet its own needs. Canada is a relatively secure and friendly source of supply, at least it has been. The American market is there.

We should be charging the Americans a premium price for our energy, a price which gives Canadian farmers and small-business people in our country a competitive advantage, and we should be developing our energy supplies in such a way as to guarantee our national, long-term prosperity. It must be emphasized that this approach is not an anti-American stance, but a straightforward, commonsensical business practice, and pro-Canadian.

Every sovereign nation has the right to decide the price it

will charge itself for its own resources. Other countries have consciously excluded energy resources from trade agreements, recognizing the strategic importance of maintaining an independent stance in this area.

There are other areas of concern as well. For instance, there are grounds for concern that future Canadian requirements for oil and gas will be threatened. It is generally forecast that the demand for natural gas will outstrip supply within about 13 years, thus undermining Canada's future energy security. Oil reserves will also begin declining at an increasing rate between now and the year 2005.

Given these circumstances, wouldn't it have been more prudent for the government to be doubly vigilant to ensure that Canada obtained and retained domestic control of this vital industry? Instead it has turned its back on our long tradition of ensuring energy supplies and security through mandatory reserves.

Finally in the area of ownership and control of our energy resources, we seem to have taken a step backward, Mr. Chairman. Canada now has a policy that foreign take-overs of financially healthy energy companies will not be allowed.

The federal government argues that this policy remains in place under this trade agreement, yet it's not mentioned in the agreement. On the contrary, a number of Canadian oil and gas companies are being or have been bought, in whole or in part, by foreign interests over the last number of months — Husky Oil and Dome Petroleum, Esso Petro and Bow Valley Industries.

Industry analysts predict that trend is nowhere near being over; that is, there will be more take-over activity in 1988. There are even rumours that Petro-Canada, our national oil company and one of the largest, if not the largest oil company in Canada, is on the sell-off list of the federal Conservative government.

This will put serious pressure on the goal of 50 per cent Canadian ownership of the oil and gas industry. As at least three royal commissions and task forces, Gordon, Watkins and Gray concluded the question is not one of being for or against foreign investment. The issue is setting sensible rules of the game where one could say a reasonable Canadian presence, especially in sectors which are important for future growth and prosperity, such as energy.

The point is that some kind of policy is needed in this area, that it does matter whether a lot or most of the commanding positions in our industrial energy sectors are held by subsidiaries with headquarters elsewhere.

We need a significant and competitive Canadian presence in the sector. This position is certainly not extreme, Mr. Chairman. All of our industrial trading partners go much further, including the U.S. — and I cite the furore of the U.S. over Robert Campeau's bid for Federated Stores:

This abandonment of Canadian responsibility, and authority can have detrimental consequences for our

economic and energy future. And it must be added, it is not only the Canadian oil and gas companies that are put in jeopardy, but those hundreds of firms that supply and service the major developers and producers in the energy sector.

Articles 1401 and 1402 of the services code of the final agreement ensure that American companies have the right to be treated in the same basis as Canadian companies and the right to establish businesses in Canada.

Over 150 services are included in the annex to the services code, including oil and gas field services. With the crucial principles of right of establishment and right of national treatment now recognized by this trade agreement, U.S. firms will be able to challenge any Canadian practices that tend to inhibit their ability to compete here. And what did we get in return for this total capitulation? Even the Energy department and its own internal study concluded that Canada's energy industry will make only modest economic gains in the short term under this agreement.

Furthermore, even after the deal has been in place for 10 years, the most important benefits will be "intangible and indirect." Specifically, the Americans agree not to impose any tax, duty or charge on the energy they send us. When was the last time the United States ever sent significant amounts of energy to Canada? To which region and under which circumstance? I'd like to know that, Minister.

The Americans also agree not to introduce or increase any tariff on our energy going into the U.S. The only hard prediction in the Energy department report is an estimate that the Canadian industry could save \$26 million annually by the elimination of existing U.S. tariffs or crude oil and refined petroleum products. There will be an additional saving of \$10 million a year because U.S. customs user fees will be phased out. As industry analysts have commented, that's peanuts in terms of the energy industry. Who seriously fears that the Americans would throw up a tariff against Canadian oil, the very oil they have coveted for years?

Hon Mrs. Smith: — The member has . . . I thank him for his speech on free trade, as he so nicely puts it . . .

An Hon. Member: — I've got three or four more.

Hon Mrs. Smith: — He's got three or four more. Well, I should look forward to those, too. I doubt if they're going to be any different, though, than the ones that I've heard from him so far.

Mr. Chairman, we're back to the made-in-Canada price issue, and I hate having to repeat myself all the time, but perhaps tonight I will do that more than once.

An Hon. Member: — Oh, but we love listening to you, Pat.

Hon Mrs. Smith: — The member from Regina North East says he loves listening to me, and I would say that's probably the first time that he in fact has.

Mr. Chairman let's go back to the made-in-Canada price. And the reason I call it the made-in-Canada price is because that's in fact what we had under the old national energy program. And that is precisely what the member from Regina North West now says is wrong with the agreement — that we do not have a made-in-Canada price system.

And I want to ask him when we had the made-in-Canada price system, who did it benefit? Now who did it benefit? All of Canada? He has suggested at least once tonight, if not twice, that in fact all Canadians had the benefit and saw the benefit of a made-in-Canada pricing system, Mr. Chairman. Well I believe the member is wrong. In fact, that benefit didn't show up. But who does he think received it? All of Canada, he says, and I say, no. Was it western Canada? And I say, no, it wasn't. In fact, Mr. Chairman, western Canada did not see a benefit. What they in fact did was paid for it, and in spades — millions of dollars.

So if western Canada didn't see a benefit, then it must be central or eastern Canada. Well it probably wasn't eastern Canada because the Maritimes get most of their oil from other countries. The pipeline system stops, I believe, in Quebec. So that leaves central Canada. And did the consumers there benefit? And I would have to say to a large degree they did not benefit directly, not directly. And why not? Because all that happened when that pricing system was put into place and the National Energy Board brought their rules and their regulations into effect, was government moved in with the gasoline tax. There was room there, and so the gas tax went on. So in fact the consumer ended up paying government.

Now you could put out the argument that all of that money was going for government revenue and government programs. Well that's perhaps true in some cases. I would think if I take a look at Saskatchewan in particular — that was not the case in Saskatchewan — that perhaps it went to buy a couple of potash mines, or perhaps it was paying the debt on some loan taken out in order to put money into the Cornwall Centre in downtown Regina. So the benefit, Mr. Chairman . . . Well he is going to have to go some to convince me that there was a benefit to Canadians with a made-in-Canada price system.

Mr. Chairman, this agreement in fact does allow provinces, Saskatchewan included, to do rebates to the various sectors for creation of economic development. The member has referred to, I believe it was a gentleman from Ottawa, a civil servant, and he has either read or quoted from an article. And this gentleman in question has said, the negative effects of this agreement — and I don't doubt that for a minute — that he believes that there is a reduced ability for Canada to do some of the things as he sees them and as he thinks it is. That shouldn't surprise us at all, coming from central Canada.

We've already stated, Mr. Chairman . . . (inaudible interjection) . . . well he says always divide. That's not the case.

An Hon. Member: — Divide, divide, divide . . .

Hon Mrs. Smith: — No, that's not the case, Mr. Member. I'm going to tell you why it's not the case. You know, I attended an Energy ministers' meeting in Ottawa in 1987, January of 1987. All the provinces were there and the two territories, and it was the first meeting, the very first meeting of Energy ministers along with the federal government and all the others that had taken place since the mid-70s.

Now you want to talk about dividing; who was doing the dividing back then? How come all those ministers of Energy and Mines were not meeting and talking and trying to come up with a Canadian policy? And how come the consuming provinces weren't talking to the producing provinces to get an understanding of their needs? It didn't happen, my friend, in the '70s, and guess who was in power?

Mr. Chairman, it's not a question of dividing. I am stating the facts tonight, and they're factual. And I think if the member were to be realistic, he would probably agree.

Mr. Chairman, this agreement on trade, it has some protection in there; it has a mechanism in order to deal with disputes as they arise. This province — and the members were around last year when we dealt with the issue of potash. The dispute mechanism that is in place or the consultation process is going to allow us an input before the disputes get to the point such as the potash industry got to last year. Mr. Chairman, I see that as being very, very positive.

(2115)

The member is worried about foreign ownership, and I believe all members should give a consideration and look at the pros and cons of it. I think they should also take a wider perspective and look at where the world is going to be in 10 or 20 years. The world is getting to be a smaller place. Between travel, communications and technology, the world is going to be seen as being almost one community within 20 to 30 years. And if the member doubts that, I just ask him to watch over the next 30 years as to what happens with trading patterns and government programming and various other aspects. And he in fact will know that it will become a very much smaller world.

Foreign ownership, I think you have to take a look at it realistically. And I would ask the member: what was the positive aspect of Dome Petroleum in Saskatchewan holding a lot of land but never developing it? Tracts and tracts of land held under permits with Dome that never got developed because it was not in a financially healthy situation, didn't have the money to develop those lands.

Well it's one thing, Mr. Chairman, to sit and hold the land, and quite another to give consideration of who is going to be developing it and, I believe, with some guide-lines. I don't believe that you sell something with 100 per cent foreign ownership without looking at what you're selling, the impact on the overall province or the overall country, and what that holds down the future. Of course you look at it and I believe that at the federal level that in fact has happened with companies like Dome Petroleum.

You have talked about various companies going down,

and I would suggest that part of the reason for that has been with the fundamental change in the structure of corporations, and of course, with the downturn in the oilfield, it didn't surprise me. I don't think anybody likes to see corporations or businesses go through that because that means it's affecting people, and some very drastic changes take place in their lives. However, as it relates to foreign ownership, I don't think you automatically dismiss it as being bad for the province to in fact have some foreign investment in the province to in fact have some foreign investment in the province that gives some return to the people of this province, if it's done in a reasonable and a fair manner.

So, Mr. Chairman, the trade agreement . . . the NDP will continue to highlight what they see as the negatives, and I might add most of that is myth — and very similar to the medicare scare. And the member has raised several points tonight, and I can simply state that he is over-reacting. Yes — scare, fear. He wants to talk about divide; what I'd talk about is the planting of fear — a little bit of fertilizer here and there and it multiplies, and that's what they've attempted to do when it comes to the trade agreement. It is simply not true, Mr. Chairman, that we are going to lose control, that we are not going to be able to develop our resources at our pace. We are going to be able to do that.

Mr. Chairman, we will also be able to control exports. The pace of our development, all of that rests with the provincial governments when they look at exporting energy resources out of their province.

Mr. Solomon: — Well, Mr. Chairman, time is quickly moving here. I've never seen a minister filibuster their own estimates in this House, at least I haven't in a long time. But the last straw, in terms of this free trade agreement, under certain circumstances Canadian consumers could end up paying more for their energy than their American counterparts.

For several years American legislators have been looking at a possible tax on imported oil as a means of raising revenue. Such a tax would ultimately raise the price of any energy sold in the U.S. The trade agreement would exempt Canadian energy from the tax so that Canada would become one of the cheapest energy sources in the entire U.S. market.

If Canadian exporters wanted to profit from the U.S. import tax, they could raise their prices for U.S. customers. But to do that, they would have to increase domestic prices as well. Since U.S. consumers and industry would also have cheaper domestic supplies to fall back on, Canadians actually would end up paying somewhat more for their own oil and gas. No, Minister, under this agreement, how do you justify increasing prices to Canadians because of an American domestic oil policy?

Hon Mrs. Smith: — The Deputy Premier has really expressed it the best. Mr. Chairman, there are rumours in the United States of what is called . . . I believe it's an action related to oil and imports under section 201 of some legal document in the United States. It's very similar to potash, if I can refer for the member to that, in that a company has this room to lay a complaint if they think

their industry is being injured by cheap imports.

So that is the rumour in the United States as it refers to the export tax. It can in no way affect Canada. In fact, what it would do, Mr. Chairman, is raise the price of oil going into the United States so that our producers would have a very difficult time in competing with oil from other countries and from the United States if, in fact, this export tax was put on top of the price. It would put them in a situation of eventually losing their contracts, losing those customers, and then the member would be quite happy because the oil would all stay in the ground for who knows when.

It does not affect the price in Canada. It ups the price for those people buying it in the United States, and we would eventually lose the contract to sell in there because they would not be competitive with the rest of the world.

Mr. Solomon: — Well, just not to end the debate on the free trade arrangement as it applies to energy, Mr. Chairman, but to perhaps summarize: in the final analysis, in my view and the view of many Canadians and a growing number of Canadians, we have surrendered through this agreement, this free trade agreement, control of our resource. We have become the only country in the world that has given up without a fight, or without even public consultation, the right to set domestic oil price for industrial use in our own country, to serve economic policy if we desire.

We may own our resources, but it's a form of ownership where we don't have the right to the selling price or to set the selling price of our product or the rate at which that product will enter the market-place. We have forfeited, surrendered our right to manage that resource without, I maintain, Mr. Chairman, without as much as even public consultation with the people of Canada.

This secret deal has been signed without the public's input. It's been negotiated in the back rooms, in this country and in Washington, and for what purpose? Not for the purpose of Canadians, Mr. Chairman, but for the purpose of the Americans and their economic and energy policies.

Members opposite talk about the Americans possibly opposing this in the Senate because it may not be a good enough deal for them. I suggest to you and the people of this province, Mr. Speaker, that legislators and oil people and major movers and shakers in the American economy are rubbing their hands with glee over this agreement in the back rooms because they can't believe the deal that they got. We have surrendered our right to setting our own domestic oil price, and even the amount of oil we export; we have surrendered that with the signing of a document, without public consultation, without any kind of support from the public of Canada. And I maintain, Mr. Chairman, that that is something that will not go unchallenged in the coming federal election.

The final point I want to make is that countries have gone to war for oil for their people, for energy for their people, and for their economies. Countries have defended their resources and the right to control those resources by mobilizing their people into military machines. But the

Conservatives sister government in Ottawa has, without even public consultation, and for nothing in return, given our heritage and the heritage of our children and their children's heritage away. And for what in return, Mr. Chairman?

My final question is: how do you justify, Madam Minister, this action to the people of Saskatchewan? How do you justify this action to your children and to the children of people that are yet to be born?

Hon Mrs. Smith: — That's twice. That's twice, Mr. Chairman. Last year one went, too. You'd think I'd learn, eh?

An Hon. Member: — Was my speech that powerful?

Hon Mrs. Smith: — Yes, his speech was that powerful. Perhaps I can send the bill to my opposition critic.

Mr. Chairman, domestic price, you want to talk domestic price? We're actually talking about a made-in-Canada price again. That's what the member is talking about, a domestic price is a made-in-Canada price. And to what, Mr. Chairman? To the detriment of western Canada. I maintain that, Mr. Member, and I believe that because I have seen that in the past. We've been that route. The member thinks he is going into the future, when in fact he is going back to the past. Back to the past, my friend.

Mr. Chairman, in fact not only is it a detriment to western Canada, the producing provinces, but I would also suggest to the hon. member tonight that in fact if you really sit down and analyse it, it is a detriment to all of Canada.

Now why do I say that, Mr. Chairman? It eventually creates a very unhealthy environment for the growth of an industry. If you do not have the proper environment, Mr. Chairman, what you in fact end up with is a depletion of your reserves. That eventually brings you to the situation of shortage. And that's one point that the member and I agree on; we both are concerned about shortages, as all should be. But the best way, Mr. Chairman, to recognize that concern is to put in place the kind of an environment that in fact encourages growth of the industry and the resource itself. Then the member won't have to worry so much about his shortages.

The issue, Mr. Chairman, as it relates to the oil and gas industry and the trade agreement, comes down to being one of a secure access to one of our biggest markets. That's the bottom line in terms of the oil and gas industry — a secure market to one of our biggest markets. It not only affects oil and gas . . . (inaudible interjection) . . . I'm glad you said that. There is no guarantee, you're absolutely right, as there is no guarantee on the other side that they can walk in and demand it as you have suggested. What it is, is a guarantee to negotiate between customer and producer.

An Hon. Member: — It doesn't say that.

Hon Mrs. Smith: — Well he says it doesn't say that. Well, Mr. Chairman, I would ask, does it say what he thinks it does? and the obvious answer is no.

Mr. Chairman, why do we want this secure access to our biggest market? The member only has to look at the benefits for Saskatchewan that are derived out of that. And it's a human element which I would hope that he can appreciate, such as jobs for Saskatchewan men and women, the investment dollars that come with those jobs, the communities, whether it's property tax, salaries that flow through the community and the indirect benefits that come from that, the small benefits.

(2130)

And if the member doesn't believe there's any small benefits that derive to communities, I invite him to communities like Swift Current, Gull Lake, Shaunavon, Weyburn, Estevan, Oxbow, Carlyle, various other communities; Kindersley, Lloydminster, Cut Knife. They're scattered all along the west side, Mr. Chairman, and all down the south and up the east side into the Moosomin area. And he will find communities that do in fact benefit. And by communities, I'm talking about people. And of course, Mr. Chairman, one of the benefits is revenues, government revenues. The member wants more money for health and education. Well, Mr. Chairman, Energy and Mines, particularly oil and gas, is a big contributor to revenue within the government coffers, and that's one consideration that one must have a look at.

And last, but not least, in terms of the benefit, Mr. Chairman, is the resource development and the fact that reserves increase with that. All of that happens when you have some security of access to markets. And I think that the member would have to admit that that, in fact, is a fairly good balance.

Mr. Solomon: — Well, I won't admit that, Madam Minister, because I have other questions to ask.

What I'd like to know is, on another topic, what is the latest number you have for the reserve-to-production ratio for oil conventional in Canada and in Saskatchewan? And secondly, what do you believe as a government or a province or a country, should be an adequate reserve-to-production ratio with respect to securing energy supplies?

Hon Mrs. Smith: — I'm going to give you one set of figures, because whether the oil well is in Manitoba or British Columbia, they operate more or less with the same figures. That is that for every 10 barrels of oil that you have in reserves you should be able to produce approximately one-tenth of that, and that is what the ratio is in Saskatchewan.

Mr. Solomon: — Madam Minister, how does that compare with 10 years ago, and do you think that ratio is sufficient right now?

Hon Mrs. Smith: — Mr. Chairman, at any point in time that's approximately what it has been. So the more you have in reserve, the more you produce.

Mr. Solomon: — Getting into semantics here, but it seems to me that the reserve-to-production ratio has fluctuated depending on which company you talk to. Whether it's

the CPA (Canadian Petroleum Association) or IPAC (Independent Petroleum Association of Canada) or some of their member companies, the reserve production ratios I've heard of have been anywhere between 9:1 and 15:1. And I was wondering, who determines those reserve-to-production ratios? Is it the government or is it the industry? Where does the information come from? And do you believe that the formula, or the ratio we have now, is satisfactory to meet the needs of our people?

Hon Mrs. Smith: — It could vary. If you're dealing with specific companies, then it can vary. I'm dealing with the province . . . (inaudible interjection) . . . Well I'm giving you the figures of the province out of the Department of Energy and Mines. I believe you asked where they come from? It comes from the monitoring of the wells, through the field offices, from the monthly reports that are done, and the monthly analyses that are done.

Mr. Trew: — Thank you, Mr. Chairman. Madam Minister, I want to continue talking about oil and gas and that production because that's the biggest part of your portfolio and because it's so fundamentally important to Saskatchewan as a revenue base.

My question to you, Madam Minister, is: what is the current mandate of Saskoil?

Hon Mrs. Smith: — Mr. Chairman, though Saskoil has nothing to do with the Department of Energy and Mines, I can simply say to the member, I will answer the question, and it is one of having the mandate of most oil companies, and that is for the development of the resources.

Mr. Trew: — Thank you, you've made my point very concisely. It has the mandate of most oil companies, and therein lies the problem — therein lies the problem.

There's a fundamental difference between your government and the members of the opposition in why we would have Saskoil. Let me outline for you the mandate that Saskoil should have. It should be one of development of oilfields, of gas fields — develop — you punch the holes in the ground, find out where the oil and gas is, then put that land up for lease — highest bidder — with Saskoil also bidding on that then proven field, so that the oil companies would have to have their pencils reasonably sharp, otherwise they simply wouldn't get that particular field. But Saskoil should be very much into the development of new fields.

The second area that, because you have just simply no mandate under the privatized Saskoil, the second area of incredible importance to Saskatchewan is that of research, and I'm talking research into the heavy oil field. How is it that we could enhance the amount of oil that we get out of each well? I understand that there's a fairly small percentage of oil that actually comes up when you drill an oil well into a heavy oil deposit, because the substance is so gooey and doesn't want to flow that there's actually a very small amount of oil that we get.

Saskoil, as it is now, has no mandate to do anything other than behave like every other private oil company driven by shareholders' need for profit. And I think it's just a terrible waste that you threw away a perfect opportunity,

you threw away a perfect company that could do those two things: one, find new deposits of oil; and secondly, spend a fair amount of time, effort, and money into the research for how we could get more heavy oil.

I'd appreciate your comments, and it'll be interesting for me to see how you can somehow say that Saskoil is doing those. How can you rationalize that Saskoil, which is like literally every other oil company, is somehow improved?

Hon Mrs. Smith: — Well I don't know what the member thought Saskoil was before he got into government, or before 1982, but I invite him to go down to Saskoil and ask them what they did previous to 1982, this government coming in, and previous to the privatization of Saskoil.

If you think that it was a terrible waste of money to privatize Saskoil, I simply want to tell you it was a waste of my dollar back in the '70s when you put my taxpayer's dollar into a company, then went out and bought wells that were already there, that we were collecting royalties on, that you could have taxed the companies. It was all there. You could tax them. You could take royalties.

And yet you took my dollar and you bought it, and for what? Do you remember for what? I'm going to tell you, Mr. Chairman. The member from Saskatoon South says that the NDP bought Saskoil, or created it, to give them a window of opportunity so they could know what's going on in the oil patch. That was the reason for the nationalization of Saskatchewan's oil industry.

And what happened, and what happened? This member will remember. They left the province. The city of Swift Current alone, 200 families left that city — the taxation and everything that goes with it. And you talk about a terrible waste of money. You don't even know the definition of it unless you go back and look at what you spent on Crown corporations.

Mr. Chairman, I recognize that Saskoil . . . I apologize, Mr. Chairman, for getting into the Saskoil debate when it isn't in on this estimates. Perhaps the good member from Regina should have been at the Crown Corporations Committee the last time it was there, because he would have had ample opportunity to ask the questions, as did some of his colleagues, but he didn't.

Some Hon. Members: Hear, hear!

Mr. Trew: — Thank you for the round of applause and, for your information, the good member for Regina North is on the Crown Corporations Committee, was last year, discussed Saskoil in Crown corporations, and will continue to discuss Saskoil right now where it should be in the public's view.

We purchased Saskoil in the 70s for . . . you're right, part of it was to get a window on the oil industry; part of it, that is totally missed on the members opposite, was to develop new oil finds, new oil fields in the province so that we could turn around and sell those leases that the government owns — you have quarterly lease sales. If you look at the record of the amount of money you got from . . . we got from lease sales through the 70s, compared to what you get now, I think you'll find that

there is a major, major discrepancy. We also got it to do the research and development into the heavy oil.

Madam Minister, in 1981 the value of oil production in Saskatchewan was \$821 million. The revenue we got from provincial oil revenue in that same year, '81, was \$533 million. In 1986 the net value of oil production was \$1.174 billion. The revenue dropped to \$213 million. My question is: how do you explain that 320 million drop in the provincial oil revenue while the value of oil production went up nearly \$400 million?

Hon Mrs. Smith: — Before I address the last question of the member, Mr. Chairman, I simply want to state for the House and for the record that what the member has said is not true. He said Saskoil was put into place to develop new pools, Mr. Chairman, the first thing that Saskoil did, the very first thing, was purchase, purchase, Atlantic Richfield — no development of new pools; they purchased Atlantic Richfield.

And I invite you to go back and look at this development, to use your word, of new fields. Mr. Chairman, we didn't see a lot of new development of new fields in this province until about 1984 or 1985 with the exploration of the deep wells to the south here in the Weyburn-Estevan area. And that's fact, Mr. Chairman, a fact that is on record.

(2145)

Mr. Chairman, earlier tonight I went over the share argument, and I believe perhaps the member was not here from Regina North when I went over it with the member from Regina North West, and I will simply say that that has been explained tonight for my critic as it was last year for my critic. It is on record and it will be in *Hansard* tomorrow.

An Hon. Member: — I didn't believe you then, and we don't believe you now.

Hon Mrs. Smith: — Well I know you don't believe it, but it is there. And if you take the relative points to the argument, you will see that in fact it is true, and that's what . . . You've made a lot of assumptions in your calculation.

I will also state for the members from Regina North that the credibility gap on the figures that you use is widening. Tonight the member from Regina North West used the figure of two billion. The member from Regina North East uses the figure 1.7 billion, and the member from Regina . . . Moose Jaw North uses 2.8 billion. So I don't know where you're getting your figures, except to say that my critic was kind enough tonight to in fact tell me that it was based on some assumptions. We went over the assumptions; some of them are wrong, and he has not included all of the factors into the equation in arriving at the conclusion that he has, and that conclusion is wrong.

Mr. Trew: — I thank you for pointing out to me and the people of Saskatchewan that the figures I use are wrong. Madam Minister. You may recognize the budget document from one Gary Lane, *Estimates* 1988-89 . . .

Mr. Chairman: — Order. Order. Members are not to use other members' names in the House.

Mr. Trew: — Thank you, Mr. Chairman. I apologize to the member for Qu'Appelle-Lumsden for using his name — heat of the moment.

The member for Qu'Appelle-Lumsden, his *Estimates*, the actual revenue in oil, 1986-87, \$212,926,000 — well I gave you a \$74,000 benefit by calling it \$213 million. But if you say that these numbers are indeed wrong, I guess maybe they are; you better talk to your Finance minister about that though. We're using . . . that's where we're using the numbers from.

Madam Minister, I wanted to get into a different area, but I see we're zeroing in on 10:00, and the critic in this area informed me he has a few other questions, so I thank you for your attention.

Mr. Solomon: — Thanks, Mr. Chairman, I appreciate this. I have looked, over the last number of months, with regard to some press reports about the Lloydminster heavy oil upgrader, Madam Minister. I noted that prior to the 1986 election campaign the Conservative Party in this province said they were going to bring forward this heavy oil upgrader, and it will be built on the Saskatchewan side near Lloydminster.

And I note as I go through these news releases as late as November of '87, the headline was that there is a pact for a \$2 billion heavy oil upgrader almost set for Lloydminster, the Premier of Alberta says. And he says it may be signed within two weeks. This was in November 7, 1987, of *The Globe and Mail*. And he goes on to talk about the location of the upgrader on the Saskatchewan side, that the province of Saskatchewan was acutely interested in being involved with it.

And you go through them. November 9 in the *Leader-Post*, Getty is quoted again as saying this upgrader is coming. Husky officials, on November 12 in the *Leader-Post*, talk about how hopeful this Lloyd upgrader is and that the joint ownership option appears to be the favourite route. And the November 13 *Leader-Post* says that the province's study plan for Husky's Lloyd upgrader . . .

And it goes on, Madam Minister, about all of the news reports, right through saying, day after day, week after week, that the announcement is coming tomorrow; the announcement is coming tomorrow.

There was actually a comment in late '87, in anticipation of the federal election campaign being called, that there might be an upgrader built fairly soon. "We're going to make an announcement within days." That was coming from the mouth of the Energy minister, and the two cabinet ministers that represent Lloydminster, Mr. Mazankowski, who is Deputy Prime Minister of this country, and of course, on the Saskatchewan side of Lloydminster, Mr. McKnight, who is a member of the Mulroney cabinet as well.

And it goes on daily, the reports are coming out that the announcement's going to be made tomorrow.

And I see on April 15, in the *Star-Phoenix*, that the Husky upgrader agreement is reached, finally. And I notice the date because there is now heated discussion about the federal election being called in this country. And the people of Lloydminster, in the view of almost everybody I spoke to up there, were telling me that the Conservative government of Saskatchewan, the Conservative government of Alberta, and the Conservative counterpart in Ottawa were playing cruel politics with this decision.

And it says in this *Star-Phoenix* newspaper article, again, that the upgrader is being announced. The three governments and Husky Oil believe they have reached an agreement on a framework for the Husky upgrader to allow the project to proceed. And the estimated project is going to be \$1.2 billion. And this was after Mr. Mulroney met with the Premier of Saskatchewan just last week in Saskatoon. So here we have another announcement.

Madam Minister, is this playing cruel politics with the people of Lloydminster who are sick and tired of hearing promise after promise after promise? I was up in Lloydminster for four days in the oil patch and they don't call it "Lloydminster"; they call Lloydminster, Madam Minister, "the promised land" because they've been promised this thing so often by all three levels of government, by the MLA for Cut Knife-Lloydminster, that they're not going to believe it until they see it.

Can you tell us this evening, with any kind of equivocation, whether this is another promise in anticipation of a federal election campaign or whether this is going to materialize?

Hon Mrs. Smith: — Well, Mr. Chairman, the member from Regina North West and I agree on a few things. I agree with him on a few things that he has said, and that is that there has been a lot of speculation around for a long time. The people of Lloydminster are in fact feeling a great deal of frustration with this particular project.

The project is a difficult one for a couple of reasons, Mr. Chairman. One has been the cost of it; the second factor has been that it involves more than two partners; and the third aspect of the difficulty, Mr. Chairman, has been the volatile situation of the price of oil. And it has created an environment that has been extremely difficult in coming to terms with the agreement, Mr. Chairman. Given all those difficulties — and this is what's interesting about it — is that not one partner at the negotiating table has elected to back away and say: this is non-viable; this is "non-doable." That in fact, Mr. Chairman, has not happened.

As to when this is going to come to a completion for any kind of an announcement, I am not at liberty to say tonight, Mr. Chairman. But I would say this to the member from Regina North West who has seen the benefits finally of an upgrader in Regina — and he keeps talking about promises, promises, and you haven't done this and you haven't done that.

Mr. Chairman, in 1982 the member and his party ate a little bit of crow, and in 1986 the member and his party went back for seconds. And I would say to the member, if

he doesn't want a third helping before the four-year term is up, that he have a little patience and a little trust, and perhaps we can get this done before that four-year term in fact is up.

Some Hon. Members: Hear, hear!

Mr. Solomon: — Mr. Chairman, the minister is again not really playing fair with the people in Lloydminster. The people in Lloydminster want to know whether this agreement is coming or whether it's not. They want to know where the refinery's going to be located, whether it's going to be part of the Husky asphalt refinery in Lloydminster, whether it's going to be a stand-alone. They want to know whether it's going to be on the Saskatchewan side or on the Alberta side. They want to know when this thing is going to be built.

They also want to know, and I think the taxpayers of this province want to know, what kind of financial arrangements the Government of Saskatchewan and the other government are committing with respect to this project in the long term, in the short term, and whether or not we are just going to be taking all the risk, or whether or not we're going to be having some rewards on the upside as well.

Hon Mrs. Smith: — Well, Mr. Chairman, I am not about to raise expectations and put things out there that are not ready to be announced at this point in time. The agreement as such, if and when reached, Mr. Chairman, will contain the items that the member has referred to. I think the member is aware that in fact there has, previous to this, been the guide-lines put out as to what the respective provinces found in being in need of at the negotiating table, the federal government and the private sector. It has always been Saskatchewan's position that it could not be the government, the Saskatchewan government, that took all the risk, that in fact there had to be a partnership.

The negotiations, I could add for the member's benefit, have always taken place within the framework of private sector risk and a partnership effect to it. And as to any kind of remaining details that the member would like, he is going to have to wait for the negotiations to be completed.

Mr. Solomon: — Well, I just . . . if the government House Leader will be patient, I've got a couple of more questions. Could the minister, on another topic, provide to me later in writing, the names of your staff people, their salaries, their ranges — whether they've had any salary increases over the past 12 months.

I wouldn't mind having a list, as well, of out-of-province travel for the minister and staff, as well as any extra benefits such as a car, or use of a car, that the minister's staff might have over that period.

And I'd like to also know whether any polling was done by the department, who the polling . . . if it was done, who it was commissioned to do it, whether it was tendered or appointed, the amount of the contract. If the polling was done, could she table or provide me with a copy of the poll and the results?

And finally, with regard to advertising, we wouldn't mind having a cost of advertising in her budget with what the advertising was spent on, who the agency of record is, whether the agency was appointed or tendered.

And I suppose the final question I have with regard to the estimates, and that would deal with perhaps some of the things that we've been talking about tonight, and of course some of the things we haven't. If the free trade deal goes ahead unamended, and the energy responsibilities that we have are given up through that agreement in part, and SMDC (Saskatchewan Mining Development Corporation) is privatized, and Saskoil is privatized, what is going to be the department's role in energy after all of this stuff is sold off at discount prices to your friends?

Hon Mrs. Smith: — Yes, I will send you the information.

Your last question, the role of the department, is back to the very first question that you asked me.

An Hon. Member: — But after you sell everything off, what's there left? What's left?

Hon Mrs. Smith: — Let me finish; you didn't listen to my answer, then. If you think that there is nothing for the Department of Energy and Mines to do if you privatize Saskoil ...

An Hon. Member: — SMDC.

(2200)

Hon Mrs. Smith: — Well, and then he says SMDC and various others. The province's industries are much more than simply Saskoil, SMDC, Saskatchewan potash. I'm not sure what else is left, but it's more than simply the Crown corporations. In fact, by far the majority of the industries in the respective resources, by far, are the private sector.

Government must still look at their resource policies, have the ability to put a tax on, whether it's the royalty system or some other system. Now in order to collect those royalties, the taxation, there must be a monitoring device, and that's where the regulatory function comes in. That is the role of the Department of Energy and Mines, plus they play a very big part at the field level, particularly in oil and gas, on the environment and safety aspect.

So I think the member is seeing things where there is nothing there to see, and perhaps not looking at in fact how broad those industries are.

Mr. Lyons: — Thank you very much, Mr. Chairman. I've just one or maybe, at the most, two questions to the minister.

Madam Minister, there's been a lot of talk and a lot of the Britain press lately in the province about the development of Saskatchewan's gold reserves and the amount of gold which has been discovered in the province. The president of exploration for Royex Gold Corporation was quoted in this weekend's *Leader-Post*, talking about Saskatchewan as being another Hemlo and the potential for the kind of

gold finds. I wonder, would you outline to the House the findings of the Department of Energy and Mines — the total extent of the gold reserve, proven gold reserves in Saskatchewan, and also the estimated gold reserves controlled by Saskatchewan, SMDC (Saskatchewan Mining Development Corporation).

Hon Mrs. Smith: — Mr. Chairman, the figures that I have here tonight are the annual production on an individual mine by mine basis. We would have to compile ... that is not the reserves, which is what you've asked for. I only have the production.

To address your next question on SMDC: SMDC has a major share in one of the mines as of now, that's Star Lake gold mine, plus they have an interest in one of the developing operations which is not on stream yet. If you like, I can give you the mine by mine production figures, but that does not include the reserves.

Mr. Lyons: — Madam Minister, there's no use taking the time of the House to read them out. If you would send them across, undertake to send the mine by mine production.

Also, if you would undertake to send me the following: the estimate of reserves in Saskatchewan done by Energy and Mines, and also the estimate of reserves held by the Saskatchewan Mining Development Corporation; and I know that Energy and Mines will have that inventory. If you will undertake to send those figures across to me, then I won't have to ask any more questions or take up any more time of the House.

Hon Mrs. Smith: — We can do that, Mr. Chairman.

Mr. Lyons: — May I have your undertaking to provide it within the next 14 days?

Hon Mrs. Smith: — Mr. Chairman, we will do our best to provide it within that 14. If I'm a little bit over, the member will have to allow some leniency.

Mr. Lyons: — I'm only too willing to provide a week's leeway, Madam Minister. Thank you.

Item 1 agreed to.

Items 2 to 5 inclusive agreed to.

Item 6

Mr. Solomon: — With respect to item 6, Mr. Chairman. Madam Minister, with regard to payments to the property management corporation of Saskatchewan, I note there is an increase from the '87-88 estimate — or should I say '88-89 estimate from '87-88. Could you give us a breakdown as to what that space paid for? Could you also perhaps give us in writing, later on, some indication as to where the space is leased; not only a breakdown but location, the size of offices at each location, and how much you paid per foot at each location, square foot?

Hon Mrs. Smith: — Mr. Chairman, we can provide the locations in the area, but we will not provide the prices, which has been a long-standing policy of government,

regardless of which stripe of government.

Mr. Solomon: — Am I correct to assume then that you will not tell us what you're paying for any particular office location in terms of a lease arrangement?

Hon Mrs. Smith: — That's right, Mr. Chairman. That information is confidential, and I believe that the member knows that.

Mr. Tchorzewski: — Madam Minister, are we hearing you say that you will provide information on the space where you are paying the property management corporation for leasing from, also the size of the space that you're having the property management corporation lease to you, and the location?

Item 6 agreed to.

Item 7 — Statutory.

Vote 23 agreed to.

**Consolidated Fund Budgetary Expenditure
Economic Diversification and Investment Fund
Vote 66**

Item 4 agreed to.

**Saskatchewan Heritage Fund Budgetary Expenditure
Resources Division
Energy and Mines
Ordinary Expenditure — Vote 1**

Items 1 to 4 inclusive agreed to.

Vote 1 agreed to.

**Saskatchewan Heritage Fund Budgetary Expenditure
Energy Security Division
Energy and Mines
Ordinary Expenditure — Vote 47**

Items 1 to 4 inclusive agreed to.

Vote 47 agreed to.

**Saskatchewan Heritage Fund
Loans, Advances and Investments
Energy and Mines
Vote 63**

Item 1 agreed to.

Vote 63 agreed to.

**Supplementary Estimates (No. 2)
Consolidated Fund Budgetary Expenditure
Energy and Mines
Ordinary Expenditure — Vote 23**

Item 1

Mr. Solomon: — Thank you. With regard to Energy and Mines, ordinary expenditure in *Supplementary Estimates*

(No. 2) 1988, administrative services, you're requesting another \$125,000. Can the minister tell us what the purpose of that \$125,000 was for? What was it spent on specifically; if there were more people hired or salary increases or benefits?

Hon Mrs. Smith: — Mr. Chairman, this is a cost to our systems area for natural gas deregulation, \$100,000, and the general expenses in updating the system was 25,000.

Mr. Solomon: — Madam Minister, is this going to be a cost that's going to incur every year, or is this just an extra cost?

Hon Mrs. Smith: — It's a one-time cost because of deregulation.

Item 1 agreed to.

Item 2 agreed to.

Vote 23 agreed to.

**Supplementary Estimates (No. 2)
Saskatchewan Heritage Fund Budgetary Expenditure
Resources Division
Energy and Mines
Ordinary Expenditure — Vote 1**

Item 1 agreed to.

Vote 1 agreed to.

(2215)

**Supplementary Estimates (No. 2)
Saskatchewan Heritage Fund Budgetary Expenditure
Energy Security Division
Energy and Mines
Ordinary Expenditure — Vote 47**

Item 1 agreed to.

Vote 47 agreed to.

**Saskatchewan Heritage Fund
Loans, Advances and Investments
Energy Security Division
Energy and Mines
Vote 63**

Item 1 agreed to.

Vote 63 agreed to.

Mr. Chairman: — I'd like to thank the minister's officials.

Hon Mrs. Smith: — Mr. Chairman, I too would like to take this opportunity to thank the Department of Energy and Mines for the past year and the officials for getting both of us through estimates tonight. Also a special thank you to my critic, the hon. member from Regina North West. He's only been in a short time and has done his homework.

Mr. Solomon: — Thank you, Mr. Chairman. I would like to extend my appreciation to the officials for helping us

out this evening. They've been very courteous and they have done an exceptional job in briefing the minister. I would have preferred they did a little more work on the free trade agreement, and I think they will do that having been notified of some of the startling revelations in article 904.

I'd also like to thank the Minister of Energy. She's been very pleasant, and I apologize for having giving that speech that blew her necklace all to pieces. Thank you.

The committee reported progress.

The Assembly adjourned at 10:20 p.m.