

June 13, 1989

## EVENING SITTING

**Hon. Mr. Hodgins:** — Mr. Deputy Speaker, I seek leave of the Assembly to move to Committee of Finance.

Leave granted.

## COMMITTEE OF FINANCE

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

**Item 1 (continued)**

**Mr. Romanow:** — Thank you, Mr. Chairman. I want to direct a question to the minister in regards of The Potash Resources Act, 1987, which I think was introduced in this legislature about two years ago and was enacted, and no doubt has been proclaimed. I don't have the date of the proclamation of the effect of that Bill. I wonder if the minister could tell us what date The Potash Resources Act, 1987, was proclaimed, and on the assumption that the Bill would be proclaimed, of course, because it was enacted two years ago, if she would mind telling the House who the members of the board are, set up under The Potash Resources Act, when were they appointed, and the qualifications of the members of the board.

**Hon. Mrs. Smith:** — Mr. Chairman, the legislation was indeed passed by the House but it has not been proclaimed. Because it has not been proclaimed there are no board appointments.

**Mr. Romanow:** — Mr. Chairman, I wonder if the minister would be kind enough to explain to the legislature how it was or why it is that this legislation which was introduced with such a fanfare and with such great importance by the government of the day, your government, and which was described as "the key to survival of the potash industry" — the exact words used by yourself and the Deputy Premier and the Premier and various of the numerous speakers who spoke in support of the Bill — how was it and why is it that a Bill of such magnitude and importance has not been proclaimed and made the law, and therefore is ineffective?

**Hon. Mrs. Smith:** — Mr. Chairman, when . . . 1987, I believe, when we were into the legislation regarding The Potash Resources Act, at that time we had a serious problem. As the Leader of the Opposition will recall, we were . . . The potash producers in the province were facing dumping charges out of the United States and were in some serious difficulty. And there was a very large question at that time hanging over the industry that if, in fact, they were going to be able to get out of the situation they were in.

I think if the Leader of the Opposition takes a good look at the environment of the day, what happened after the legislation was put in . . . And I might add that it, in fact, was put in to protect the industry, to preserve some jobs, and I guess more importantly, Mr. Chairman, to allow the environment to become more stable by bringing supply and demand into better balance.

Now that happened in an indirect way and that is through discipline within the industry. That legislation at that time, I believe, facilitated the framework that in fact allowed the producers in Saskatchewan to negotiate a suspension agreement in the United States. And I think he would not find any disagreement with that statement among the industry itself.

Since that time, Mr. Chairman, while there are still minor difficulties in terms of supply and demand within the potash industry, the discipline within the industry itself has been quite good, and we have not seen massive amounts of surplus of potash to this date, and nor are we likely to.

I think the industry as a whole is paying very strict attention to the supply and demand situation, and as long as that happens, Mr. Chairman, the legislation will remain there, but we will not proclaim it.

**Mr. Romanow:** — Well, Mr. Chairman, would the minister care to explain to me and to the House how it is that this result comes about when, in effect, there is no legislation, because the minister must surely agree with me that a Bill enacted but not proclaimed is not legislated enactment; it has no authority, no power, no disciplinary measures. How is it that this turn-around — rather dramatic turn-around — took place in the absence of legislation?

**Hon. Mrs. Smith:** — Well, Mr. Chairman, with the legislation on the books and the legislation that could be proclaimed within a week or a two-week period of time, I think probably it rests in a very direct way with the industry, the potash producing industry in Saskatchewan.

The industry is aware of our interest in maintaining an orderly level of supply and demand, and I think, given the government's interest, including the legislation that was debated and passed in this House at that time, the discipline, while it was within the industry itself, there was a certain amount of pressure there from the government initiative of the legislation itself.

They don't want to see government having to take that kind of measure, and I think, given the level of our interest in seeing that some action would take place to bring the demand and the supply into a better balance, that they in turn looked after it internally without having the government measure there. I think their interest in seeing government out of it today is still there and, as I said, they . . . In fact, the discipline is good within the potash industry itself in terms of that supply and is likely to be over the next couple of years.

**Mr. Romanow:** — Is the minister saying that this internal discipline that she describes within the industry is taking place by the various corporations of the industry, in concert with one and the other, meeting and fixing prices and supplies, if I may use that term, in a way which is satisfactory to the industry at the expense of U.S. consumers and Canadian consumers? Is that what she means by internal discipline? Is that what's been happening, and do you as minister, have you as minister

condoned that action? I gather you have by your comments.

**Hon. Mrs. Smith:** — The answer to the member's question is no. What you are seeing is that the potash producers in fact are abiding by the agreement that they signed in the United States — nothing more, nothing less.

**Mr. Romanow:** — Let me just see if I understand this. There is no Bill which brought about the discipline. There are no agreements amongst the potash producers to bring about the discipline. There is an adherence, apparently, to an American set of objectives and interests which the minister advises, and the problem has been solved, as the minister would have us believe.

Isn't it correct, Minister, that the solution of the problem has come out this way: that the private potash producers in Saskatchewan today, two years after that Bill was introduced, are operating at approximately 80 per cent capacity production, and Potash Corporation of Saskatchewan is operating about 60 per cent of potash production, and the problem's been resolved all right, at the expense of the Potash Corporation of Saskatchewan?

**Hon. Mrs. Smith:** — I don't think this agreement, Mr. Chairman, came about because of private versus public sector at all. I think that the industry, whether they were the publicly owned Potash Corporation of Saskatchewan or a private company such as IMC (International Minerals and Chemical Corporation (Canada) Ltd.) or perhaps Kalium west of Regina, it wasn't one versus the other.

I think, though, what you do find, Mr. Chairman, and I believe it's part of the real world and you will probably find it in almost any industry, if you have one player that is somewhat bigger than the other, the bigger player has a tendency to play what they call the swing role. And the Potash Corporation of Saskatchewan often finds itself in a position of being the swing producer.

I would suggest that that probably has been the case since day one, and as long as that particular corporation remains somewhat bigger in terms of its capacity and its productivity level, that it will continue to play the role of swing producer.

**Mr. Romanow:** — What the minister is saying is that the potash corporation will continue to play the role, as she describes it, of swing producer, essentially to the advantage of the private potash corporations and in this instance to the essential advantage of a pair, maybe more, of outdated potash mines in the United States, which in a nutshell says that the Saskatchewan potash industry and its orderly development and its maximization of profit and jobs, as we know by the Cory shut-down, has been sacrificed to the advantage and the economic interest lying outside.

And I wonder, Minister, if you would check with your officials and tell me whether or not it is correct what I put to you now. I put to you now that, on average, the non-PCS (Potash Corporation of Saskatchewan) producers of potash in Saskatchewan are functioning at approximately 80 per cent of productive capacity and that the Potash Corporation of Saskatchewan is

functioning approximately at 60 per cent of productive capacity.

Would the minister's officials advise her as to whether or not that information is correct, and if it is correct, how in the world can it be justified since the government at the time that they introduced the potash resources Bill said that its intent was to bring equity and fairness as amongst the producers and orderliness to the market. Are those figures correct, and if so, how do you explain them?

(1915)

**Hon. Mrs. Smith:** — I would suggest that your operating rate of 60 per cent is somewhat higher for PCS, and I'm not sure where you get the figure of 80 per cent within the province of Saskatchewan. If you go back and take a look at the capacity level, and I would have to take you back to 1981 or 1982, when PCS expanded and the surplus that came on to the market then . . . And the reason for the expansion at that time in our history was the . . . The best guess by a lot of people was that the price indeed was going to keep going up, and in fact that didn't happen.

And it didn't happen for a couple of reasons. One would be who was buying, weather conditions, farming conditions, and the other major factor would be the reality that that expansion ultimately brought on more capacity than what was needed. But the 60 per cent that you state is somewhat higher, and I do not have the specific figures with me tonight.

**Mr. Romanow:** — Well, Mr. Minister, I guess the . . . Madam Minister . . . (inaudible interjection) . . . You might be right about that. Anyway, Minister, your figures are only partially complete, by your own admission. I say that the productive capacity of the potash corporation today is at about 60 per cent; you say it's less.

**An Hon. Member:** — She said more.

**Mr. Romanow:** — No, I think you said less. All right, whether it's more or less, it's at about 60 per cent. You're not able to confirm and/or unwilling to confirm what the productive capacity of the private industry is.

Does your department have figures as to the level of United States potash production today as compared to the fertilizer year 1987? Is it up or down? And does your department have figures as to the level of importation of potash into the United States today as compared to '87, not from Canadian source, not from Saskatchewan sources?

**Hon. Mrs. Smith:** — Mr. Chairman, we would have to get some specific figures, and maybe the Leader of the Opposition would like to state precisely what he wants to know of which company in the United States. We don't have these figures here but I can tell the member that from reports we know that the production is up in the United States. That's no secret. That's in the reports and we read of that every week.

I think that it's probably safe to say that the U.S. potash industry is operating at close to capacity. I don't know that for sure, but I think it's safe to say that. And I would

also suggest to the Leader of the Opposition that in fact that operating at capacity, Mr. Chairman, is all under the umbrella of the suspension agreement.

I think that that is probably one of the prices that our own industry in Saskatchewan was willing to pay in order to stay away from full-blown dumping charges, and in giving up some of that market they in fact did stay away and were able to get an agreement that still allowed them to operate.

**Mr. Romanow:** — Well, Mr. Chairman, Minister, the minister wants to know what it is exactly that I want, and perhaps I could put it in the form of a brief statement and out of the statement you'll get the essence of what the information I seek from you is.

I say to the government and to the minister opposite that the introduction of The Potash Resources Act, amidst blaring headlines, was probably one of the most fraudulent political exercises that we have seen in the history of the province of Saskatchewan. It was a fraudulent exercise because as we know, by the minister's own admission, no legislation was ever enacted, and therefore there is no legal authority to try to bring order to the market.

And in fact the stated purpose of the legislation, which was to act as some sort of a disciplinary mechanism upon the world's potash, has worked in the absence of this legislation. You haven't even proclaimed it. There's not even a suggestion that you will proclaim it.

You also deny that there's anything that the industry is doing itself by way of meetings to come to terms. You called about internal discipline, but you shift off what internal discipline clearly means to the average lay person. You shift off that internal discipline term to mean now it's the United States commerce department anti-dumping imposed settlement. That's "internal discipline." That's hardly internal discipline by the industry. That's an imposed United States law or configuration — hardly internal discipline.

So it's difficult to get an answer from you, Madam Minister, with the greatest of respect, as to what it is, why it is that the current situation has resulted in the results that you give us.

And what are the results that you give us? The results are that PCS is operating at about 60 per cent more or less, but all the other non-PCS private potash corporations in Saskatchewan are operating at a higher basis.

The United States companies, by your own admission, are producing at near capacity. They're producing flat out and making all the profit they can. By your admission, or implied admission, the United States is importing more potash from non-Saskatchewan sources than it ever has in a long time. Here it is the United States and the potash industry is burgeoning, and the very objective of this sham Bill has gone by the side, by the boards, the very objective being that presumably it was to defend the Saskatchewan industry and also, in the world at large, to bring some discipline to the market-place.

I say that the government has handled this absolutely, totally incompetently. The government has set about here a policy which has deliberately had the result of meaning massive lay-offs of workers in Saskatchewan, reduced production of the Saskatchewan potash industry here in Saskatchewan, all the while that the profits and the production outside of Saskatchewan are on the increase.

That is a deliberate strangulation of the potash industry. That's a deliberate, bludgeoning threat, hanging there like the sword of Damocles over the industry, both private and public, which has not had the desired public effect; in fact, one could argue, was purposefully put into place to have the effect that I'm currently telling you about: lay-offs, capacity production which is significantly lower than the United States. And everywhere else, Jordan and Israel and New Brunswick, the expansions and the productions are going full board, but not here.

Now isn't that . . . Can you not see that? I don't expect you to admit this — you cannot and will not. But surely in the face of those facts, isn't that the most stirring condemnation of your department's and your government's policies with respect to the management — one would say the mismanagement — of this tremendous resource?

And I know somebody's watching this exchange on television, and the member from Biggar is here providing you with an additional answer to the questions that I put. But if my figures are wrong, please give me the additional information. But I don't know what else can be concluded but that. What else can be concluded? And under the circumstances, I don't expect you to do it; but the least that you could do is to get up and to admit that two years ago, your government introduced that Bill for purely political reasons, and the net result has been — I won't say a disaster because that's an overstatement — but a very serious blow to the viability, particularly of the Potash Corporation of Saskatchewan and of the Saskatchewan industry at large.

**Some Hon. Members:** Hear, hear!

**Hon. Mrs. Smith:** — Mr. Chairman, surely the Leader of the Opposition doesn't deny that there was a great of risk for the potash industry in 1987. Surely he doesn't deny that — that that industry, in fact, was at risk with the preliminary charges that were brought down. And if that risk was indeed there, then how can he possibly deny that jobs were at risk, revenue for the province was at risk, all those factors within the industry?

Mr. Chairman, you know, we could spend a lot of time in talking about what has taken place within the industry over the last 10, 11 years. I think that perhaps a clearer picture would be to go back over the last three or four years and, in particular, since 1987.

And the member says that we've lost out; Saskatchewan's potash industry has indeed lost out. And yet if he looks at the figures of the sales, the markets, it says, no, they haven't. And, in fact, 1988, Mr. Leader of the Opposition, was a record year for the industry in Saskatchewan in terms of its sales and the value of the sales, and they were back to the 1981 level. So how can you say that this

industry in Saskatchewan has lost out, and the U.S. is beating them, and Israel and Jordan?

Now that's not to take away the reality that indeed the competition is greater than it has been. And I guess if you were living in a country like Jordan and you had that resource there, you would want it developed and you would be looking for markets around the world too. Well that's what they're doing.

(1930)

And Saskatchewan has done a good job through its marketing arm, along with the producers. And I'll give these figures to the member. For example, in 1986 there were 6.8 million — and this is KCl tonnes — on the domestic market; 1987 showed 7.3. Now 1988 is 6.5 and 1989, we are estimating 6.7. On the offshore market, Mr. Chairman, the picture is a little brighter. For example, in '87, you had 4.1 KCl tonnes, 4.1 on the offshore market in 1987. In 1988 that was up to 5.1, and they are estimating for 1989 approximately 4.4.

Now that's not a bad record, and the estimates aren't bad for 1989 either. So for you to stand in your place and say that this industry has lost out is not credible. The facts say otherwise. They are doing quite well and they will continue to do so.

**Mr. Romanow:** — Well, Mr. Chairman, and Minister, the figures that you give me prove my case unless I've marked down the figures incorrectly. I'm not looking at these figures. You still have to give us some percentage increases or decreases of production in the United States. I've made my point on that.

Let's go back at that. Let's just take a look at your figures. Domestic production in 1986, you say, went from 6.8 to 7.3. That's 0.5 of an increase. In '88, it's back to 6.5, which is below the figure of what it was in '86; and 1989 projected at 6.7, which is still below what it was in 1986.

Even on the offshore side, we've had a marginal increase of 0.3. Even assuming your figures, it doesn't answer the question. I'm talking about the share of market, the share of market for the Potash Corporation of Saskatchewan and the share of market for the non-potash corporation — private producing potash corporations.

And I say to you that your legislation and your policies have failed because since the introduction of that Potash Resources Act, in the United States there has been more production, there has been more importation of Israeli and Jordanian and German production of potash — they've taken it from every other source than Saskatchewan source.

And that you've solved the problem, if I may put it that way, but you've solved the problem on the backs of the workers and on the backs of the communities here in the province of Saskatchewan by this heavy-handed threat, this Damocles' sword that I've talked about, which has never been proclaimed, and those are what the figures show. There's no other conclusion that can be made under the circumstances.

Now I want to ask one last question, which I think is a very easy question for you to answer. What is the government's intention with respect to this Bill? Are you going to repeal it, or do you hold the position that the Bill is there for proclamation at some future time?

**Hon. Mrs. Smith:** — Well, Mr. Chairman, I've already indicated that The Potash Resources Act, if necessary, would be brought in, in the future. Given the discipline within the industry today, I don't see the need for that on the short term, but I wouldn't second-guess it on the long term. But it is not my intention to put the board into place as long as the industry is exercising the discipline that they have been to date.

**Mr. Solomon:** — Thank you, Mr. Chairman. Last night, Madam Minister, we established that you were the Minister of Energy and Mines. We confirmed that the Minister of Energy and Mines, namely you, signed the order in council which appointed directors to the board of Sask Oil and Gas Corporation. We confirmed, as well, that you actually named two of the three directors the government appointed. And we confirmed, Madam Minister, that you were, therefore, responsible for the provincial government's investments in Saskoil, and through your two or three representatives on the board, that they are responsible to you, you are responsible to this Assembly through estimates, and you are accountable to us and the people of Saskatchewan.

I asked you at that time, Madam Minister, to come forward with some information respecting Sask Oil and Gas. I wanted to know — for your remembrance, to remind you what scenario took place — from the time the Sask Oil and Gas went from government equity position of 60 per cent to where we are today at 25 per cent, what was given in exchange for that equity, and a number of other questions related thereto. And I was wondering, Minister, if you've had time to have your officials provide those answers for us this evening.

**Hon. Mrs. Smith:** — Mr. Chairman, I had indicated last night that I would endeavour to have Sask Oil and Gas respond to the member's questions. A letter was drafted today to Mr. Ted Renner, the chief executive officer of Saskoil, to supply the answers to the questions that we indeed took out of *Hansard*, and the questions that are asked tonight, if he has some on Saskoil, will be added.

And I have also asked Mr. Renner to respond directly to the hon. member, and have also suggested that perhaps the invitation should be extended for my critic to sit down and talk to the officials in Saskoil, in case the response in writing does not clarify everything that he wanted to know.

Mr. Chairman, in terms of those board members, I was in error last night. There are indeed three, and it was Mr. John Brennan, the professor from the U of S, Mr. Ron Barber, and Mrs. Joan Cook from Estevan.

**Mr. Solomon:** — Thank you, Madam Minister. I'd also like if you could obtain information respecting a decision on who authorized the issuing of the new treasury stock. There was, I believe, two circumstances in the last year or so where the board issued new treasury stock, the 10

million shares in March of 1989 regarding the . . . or in lieu of \$97 million on the Toronto Stock Exchange through the three capital corporations out of Toronto.

And I'd like to know as well whether you were aware of this dilution in advance, this issuance of new treasury stock, not just who authorized it but whether you were aware of it and whether you had your five members of the board, at that time out of the 10, take that from the government. Or was that an instruction that came from the management?

**Hon. Mrs. Smith:** — Well, Mr. Chairman, I will add that question to all the other questions to go over to Sask Oil and Gas.

**Mr. Solomon:** — Thank you, Madam Minister. A number of other issues I wanted to raise tonight are related to Saskoil, but I think I'll go on to other matters, because I would appreciate receiving the written reply from the president through your office. But I just want to summarize, I think, the position that has brought us to where we are with regards to Saskoil.

We have, as a government . . . Or you as a government in 1986 privatized the corporation. You took \$75 million, which you told the public of Saskatchewan was the price paid for 40 per cent of the company. That \$75 million, the majority of it, came from retained earnings, and part of it was from the sale of shares that the company made, so in essence we sold it at a discount price, the 40 per cent we had.

When Saskoil was originally privatized, the corporation laid off 25 per cent of the employees in Saskatchewan. The original intention of the corporation, Madam Minister, was to create employment in this province, to explore not only outside the province but primarily in the province, and to create a head office here, and as well to provide revenues to the treasury that would subsidize the tax expenditures of the governments of the day.

And what we've seen since the privatization is we've seen \$75 million extended to the Crown Management Board, much of it from retained earnings and profits earned by the corporation. We have seen, since the 60 per cent equity was originally established, a dilution of position in the company from 60 per cent down to 25 per cent. We have lost control of the corporation.

There has been no exchange of value for the dilution in control or dilution in equity. We have not received one penny to the treasury or to the Crown Management Board or to any other government holding company in exchange for the give away of Saskoil. In essence, Madam Minister, people are saying that you've cheated the people of this province from 35 per cent of the equity of the Sask Oil and Gas Corporation.

We have seen as well, Madam Minister, you stand in this House, in replying to questions with regard to Saskoil, that we have created new jobs in this province as a result of the privatization. The new jobs, I remind you, are not created in this province; they have been created in Alberta — the purchase of ICG (Inter-City Gas) Resources Ltd. for \$261 million, \$111 million of that being cash, for

sale of our shares.

We have seen those jobs protected in Alberta; it's an Alberta corporation. They did not create very many jobs in this province. And yet you say that the companies picked up \$261 million of equity, but on top of that they've picked up \$261 million in debt, 97 million being equity debt through shares issued on the stock exchange, and 150 million of existing debt by ICG Ltd. in Alberta.

So in essence, we've seen no new jobs created; we've seen a loss or a give-away of 35 per cent of the equity of this corporation in exchange for literally zero, not one penny, to the treasury of this province. And on top of that, we have stopped getting the dividends to the treasury of this province that the people of this Saskatchewan became accustomed to from Saskoil when it was a Crown corporation.

And it's my contention, Madam Minister, that you have cheated the people of this province out of the Sask Oil and Gas Corporation. You have not picked up the options to purchase your controlling shares that were issued out of new treasury stock, and you've really been negligent as a minister in terms of overseeing the investment of the people of this province.

You have not been accountable to this Assembly; you refuse to answer the questions. And I feel, Madam Minister, that the people of this province will make a decision with respect to your credibility and your participation in this business venture when the next election arises.

But I want to know how you can explain, in general terms, without a letter from the president or the chairman of the board, how can you explain, Madam Minister, how this has been a good deal for the people of Saskatchewan.

**Hon. Mrs. Smith:** — Well, Mr. Chairman, the member may very well be right, that the people at the time of the next election will make a decision. And I want to remind him perhaps in a more gentler fashion than what he has a tendency to do in this House, that applies to both sides. When you get up in the morning, look in the mirror. People going to the polls have choices. And it isn't all a one-way street.

I also want to remind the member that when you start talking about lay-offs, particularly on one corporation in 1986 like Saskoil, I mean, come on. You know and I know that all companies within the industry in Saskatchewan were laying people off in 1986. And if you're wondering why, all you have to do is go back and look at what the price of oil was in '84-85 and what happened in 1986.

And if your memory serves you well, you will also know that in fact the lay-offs had the potential to be massive within the oil industry in Saskatchewan, right down to the local producing communities in the service and supply sector. Was it 25 per cent? No. I don't know where that figure comes from, but I recall that Saskoil, in 1985 I think, had about 284 employees. And I believe in 1986, when the bottom fell out on the price of oil, that they were running around 220.

And the president can confirm it for me, but I think it's around 260 now, and I don't know . . . (inaudible interjection) . . . I'm talking about in Saskatchewan, in Saskatchewan. And I don't know that that figure yet includes the recent acquisition, because there in fact, Mr. Chairman, would be a small number of employees moving to Saskatchewan with that acquisition.

You know, was it a good deal and how did it benefit Saskatchewan? You and I talked about this once before in question period. It was the same question. And I have the same answer for you. Yes it was a good deal. It's good for Saskatchewan and here's why: it's a corporation that, in fact, the head office is in Saskatchewan. Its emphasis is on Saskatchewan and that includes the development of the resources in Saskatchewan.

(1945)

And there were new jobs. If you don't believe that, you go out and you look at the gas industry. And that's where Sask Oil and Gas has been putting its emphasis recently, has been in locating gas, producing gas. And there's jobs with that, direct and indirect. So there have been jobs with that.

That acquisition has put that company in a relatively healthy position as are some other oil companies in this province. It allowed them to diversify their base so that they weren't only dependent on oil, but they now have the gas properties and the income that comes with that. That acquisition also allowed them to diversify their land base, and there's nothing wrong with that, the purchasing of some properties in Alberta. And if you believe that's wrong, then you're being two-faced about what the NDP used to do.

Go back and read Saskoil annual reports dating right back and you will find that the NDP ministers of the day responsible for Saskoil thought that in fact it should be diversified between the producing provinces. So there's nothing wrong with that. It makes it a healthier company. The jobs are more stable with it. And because the company is healthier the revenue opportunities are greater.

I think given the way the deal was done, and its equity base, left it in a fairly healthy position given the state of the industry today and the price of oil being so volatile. For example, the exposure to the banks for the size of the company that that corporation is is minimal. And that's a very healthy sign. And if you compare that with many other companies you will in fact find that Sask Oil and Gas is a very healthy company.

Mr. Chairman, I don't know if I could say anything more that would clarify it for the member. But as I had indicated several times, the questions will be sent to Mr. Ted Renner, the chief executive officer, and he will respond in a like manner.

**Mr. Solomon:** — Well, Madam Minister, I have to respond to what you've just commented on. You indicated that this is a good deal for Saskoil because it diversifies or develops new resources in Saskatchewan. And I suppose that's a good deal if the profits that were

made by the company were paid to the people living in the province of Saskatchewan. The problem is, you've given away 35 per cent of the company for the purchase of ICG Resources. Why didn't the rest of the shareholders in the company give up 35 per cent of their equity, or an equal proportion for the purchase of this new asset and debt?

You haven't explained how this was purchased. It went from a company that was 60 per cent controlled by the Government of Saskatchewan to one that now is controlled in the tune of 25 per cent by the Government of Saskatchewan. And in lieu of that you've given \$97 million to ICG corporation in Toronto for ICG Resources Ltd. in Alberta. So you've given up equity; you got nothing in return. You've given Saskoil a larger . . . or another diversified operation, but that hasn't helped us. We've lost our equity of 35 per cent in exchange for zero.

You talked about, as well, Saskoil's bottom line and how healthy it is. Well Harold Johnson, who you may recall is the former vice-president of finance of Saskoil, attended the annual meeting and seemed to concur with the financial analysis that was done by a number of other people, that the debt/equity ratio has gotten to a very risky position in the annual report. And as of the end of 1988, the debt/equity ratio was up to about 43 per cent. If you add on ICG, you're probably over 50 per cent which is very, very high compared to some of the other corporations in the oil and gas business.

Other oil and gas corporations are consolidating their debt. They're reducing their debt, and they're becoming more streamlined and not taking on large operations, except for the Nova Corporation you keep referring to — it's such a wonderful corporation. Well we can talk about Nova having to go to the European stock market because they can't raise any more money in the North American markets. Have you heard about that, Madam Minister?

The Nova Corporation, the flagship of your government, has a big problem in the North American markets raising capital so they've gone to the European markets. And the estimates are that about 15 to 20 per cent of the equity of Nova Corporation will soon be held by Europeans, and I think that's the method you want to see happen with Saskoil. Well you're sure helping by giving away 35 per cent. And I think that it's a crime. You've cheated the people of Saskatchewan out of 35 per cent of the equity of this corporation; you've given it away.

And I want to know: who gave the corporation that mandate? Was it you or the Premier or was it your colleague, the Deputy Premier from Souris-Cannington? And I'd appreciate an answer on that, Madam Minister.

**Hon. Mrs. Smith:** — Mr. Chairman, I told him that answer would be forthcoming.

Just a comment in terms of . . . What did we give away? The member says we gave away. So that makes me think, well . . . He says we gave away control. I think he's been around enough and he knows that 25 per cent of a voting share is a fairly healthy voting share, enough that you could control a corporation. I don't know what you want to do with that control. Do you want to walk in and you

want to direct the board of directors and the chief executive officer and everybody else to do things your way? Or in fact, do you want to give them some running room and to carry out the functions that they were educated, trained, and worked for for many, many years? There is a lot of expertise within Sask Oil and Gas today. And I might add that the people are highly thought of, outside of this province and inside, that work there. Their opinions are valued and they think twice before they make a decision and do their investments.

I think if the member is very truthful with himself he will take a look at what the investment dealers and the investment community, the experts, had to say about Sask Oil and Gas during the acquisition and the share offering, and he will know that the company, indeed, was in a reasonable position with its equity and debt. And that was indicated on the stock market. That's a healthy sign for that company and I think the member should give the company some credit where it's due.

**Mr. Solomon:** — The other aspect I want to raise with the minister while she's getting some answers in writing for us, is with regard to the number of Saskatchewan shareholders. In 1986, in the annual report . . . It actually was a good report except for those pictures I commented on yesterday, which were actually entertaining, and the pictures . . . My colleague from Rosemont constituency wasn't here when I explained what happened here, but in the 1986 annual report, when it was privatized, there were three pictures that were screened back underneath the pictures of employees in the corporation. One was of J.R. Ewing, which is a symbol of big oil in Texas, and the other one was a picture of four employees shot over the background of John Wayne in the movie *Hell Cats*, the life of Red Adair.

And then of course the third picture they had were the executive officers pictured in front of a picture of Jed Clampett from the *Hillbillies*. And the comment I made last night still sticks. I think they got it right with that one, that this is a government that would make the Beverly Hillbillies look well organized.

**Some Hon. Members:** Hear, hear!

**Mr. Solomon:** — And it seems to me that if this is someone they're trying to emulate in their operations in Saskoil and in the ministry of Energy and Mines and in the Government of Saskatchewan, I think we've got a bit of a problem, because the *Hillbillies* were not known as administrators and safe keepers of the taxpayers' dollars.

But I think, Madam Minister, that the question I want you to review at this point is the question related to the number of shares. In 1986 in that report it also gave a breakdown on where the owners of the shares live, the geographic region by province. And it has not been as easily accessible since the '86 report.

There have been explanations at the annual meeting that they're not available because of accounts that head office is in Toronto, and that's true. I agree with that. But the corporation can find out that information very simply by writing a little letter to McLeod Young Weir, or whoever the brokers are, and ask them for province residency of

the shareholders of Saskoil. That is easily done, not a problem. They'd be happy to comply. And I wish that that would happen in the next 1989 annual report. I make it as a recommendation to you, Minister, to pass on to the directors on the board from the government to pursue.

But, Madam Minister, what I'd like to do is I'd like you to give a comment with regard to the number of shares that are held by Saskatchewan people. On page 51 of the annual report of Sask Oil and Gas it says that there were about 39 million shares, common shares outstanding. And if you exclude the shares that were held by the Government of Saskatchewan . . . My calculations show that out of the 39 million, about 28,842,910 were owned by the government. That leaves a total of 551,540 shares that are owned by individual shareholders in the province of Saskatchewan, and these are common shares.

And I'm wondering how the minister can explain the government's initiatives in potash corporation, in SaskEnergy and others, when they say they're going to be controlled by the people of this province. And they said that about Saskoil, but in effect we are looking at roughly 1.4 per cent of the total shares issued being held by the residents of the people of Saskatchewan, and that's as of the end of '88. That's not counting the additional 10 million that were sold in March of '89 that have gone almost entirely to pension funds and other large corporations and major wealthy stockholders in eastern Canada and other parts.

**Hon. Mrs. Smith:** — We will include in the package to Mr. Renner the question of shares. I believe that he can give you an approximate number. I do not think that it is a simple matter to be precise, because of people that choose to register their activity in Toronto, bypassing Saskatchewan people. Yes, that does take place . . .

**Mr. Solomon:** — All of the companies who register . . .

**Hon. Mrs. Smith:** — Yes, but individuals will choose to go through a broker in Toronto, is what I'm saying, as opposed to . . . Anyway, all I'm saying is I don't think it is a simple matter. And there may be some difficulty in being precise with numbers, so expect it to be approximate.

Mr. Chairman, in response to his last question to do with other legislation and control, that type of thing, legislation can vary, as the member well knows. The issue of control — it depends, I guess, on what the commodity is. For example, you may very well see in a piece of legislation that the board . . . Indeed, there is a majority of Saskatchewan residents on it which could be very well be different than what you see in the Saskoil. The government may have the majority of appointments. That's one way, in terms of control. I guess the other issue has to do with what percentage of shares that the government chooses to keep. And those are two factors that would play a key role in determining the issue of control.

**Mr. Solomon:** — Madam Minister, if you write the brokerage houses in Toronto, I am told by the brokerage houses here that have head offices in Toronto, that they will comply with that information. And even if it's an estimate or a general average throughout the year is all

we're looking for. Whereas, at year end, where they usually register them by the first week in December, you can get the information in January and put it in your report that's tabled usually in March.

Madam Minister, I want to now turn to the . . . My colleague from Saskatoon wishes to ask a question. Do you want to raise one question on this before I go on?

**Mr. Pringle:** — Thank you, Mr. Chairman. Madam Minister, you're aware of the Human Rights Commission's evaluation of Saskoil's affirmative action program, I'm sure, and where Saskoil got a poor report card from the Human Rights Commission, and rightly so. And of course this was not unlike some of the other Crown corporations with affirmative action programs, and in my judgement was sort of a damning statement in terms of your government's commitment to human rights in the province.

We're well aware that the Premier has made a number of racist comments and discriminatory comments towards indigenous peoples, and that the Minister of Labour and Social Services is famous for his discriminatory comments towards women and people foreign to Saskatchewan and other groups.

(2000)

So we see the Saskoil getting their poor report card in terms of their performance in human rights. Rather than management showing a positive response, and seeing this as a challenge to be a better corporate citizen, the corporation phased out the program, affirmative action program, as I understand it. I would like to ask you . . . I might add too, phased this out without a word of protest or concern by the Government of Saskatchewan, by the minister responsible, or by yourself, as far as I know. And I would submit that this is another element in the down side of privatization.

I would like to ask you: has in fact the affirmative action program been phased out?

**Hon. Mrs. Smith:** — I can only respond in terms of the withdrawal on their affirmative action program with the Human Rights Commission. That was basically a management decision. The board of directors may have been aware of it; I don't know that for sure. If you're wondering how I feel about it, I would have preferred that they did not do that; however, that's my own personal opinion, and I think it's probably obvious as to why I would prefer that.

I do not get involved in the management decisions of that corporation nor the decisions that the board of directors are going to be making. Government appoints people to that board, and I suppose if we should be unhappy with the decisions that they take in total then their appointments would not be extended for a second term, and that would be one way of ensuring that the voice of government is heard in it.

However, I think there are other things that government can do, perhaps in an indirect way, that not only impact on Saskoil but other groups. And contrary to what you

say, I think our record has been fairly good in terms of women within the civil service, government service, senior management positions, middle management positions, courses and seminars that have been put into place. Plus with the private sector we have been working closely in terms of trying to get women . . . "remove the glass ceiling", I believe, as they call it; it's not always easy but it continues.

The Saskoil decision was taken by them, and like I said, I would have preferred that perhaps they carried out. They felt that they could not meet the target, given the economics of the day within the oil industry, and they said that once they came out of that that they would slowly work their way back into it again. Have they reinstituted it? I don't know, but it's certainly something that I can raise in the letter that will be sent to Mr. Renner.

**Mr. Pringle:** — Thank you, Madam Minister. It's my understanding that at the time this decision was made to phase out the affirmative action program, five of the 10 directors on the board of directors were government appointed directors. And I guess I find it quite amazing, in this day and age, that the Government of Saskatchewan would not have at least offered some protest or made some appeal to the directors, if not directed them to remain committed to affirmative action program. I think it's . . . Despite what you say, I think the record of the Government of Saskatchewan is extremely poor in the area of human rights. And it comes from the top down where we have a Premier who is on record in 8 or 9 or 10 instances of either making racist comments or discriminatory comments.

So I think that the Premier would have been concerned that one of the major corporations would, in fact, be allowed to phase out the affirmative action program, which I'm sure wasn't a very costly proposition for Saskoil to . . . not even be committed enough to ask to keep that small project going.

Madam Minister, I would like to ask you if rather than raising that point in your letter in an inquiring nature, if you would put your concerns stronger; that you, in fact, strongly urge the corporation to develop with the Human Rights Commission affirmative action program for Saskoil that would back up your statement that the province of Saskatchewan is worthy of a good record in human rights.

**Hon. Mrs. Smith:** — Mr. Chairman, I think it is incumbent upon that member, if he is going to make allegations and statements such as the Premier being on record for racism, that he be obligated to table those quotes in this House. I think you're wrong, Mr. Member, I think you're wrong. You've got the wrong man. The Premier of this province, the member from Estevan, not once has he ever made a racist comment like you have stood in here and said tonight.

Now if you have information contrary to that, you say he's on record, then I would suggest that perhaps send the information over. Let's see, instead of standing in and making allegations and insinuations like that. Those are serious allegations against a person — very serious. And because they are serious, then you have an obligation to show us differently if, in fact, it is. I don't believe that it is.



Mr. Chairman, in terms of a message to Saskoil from myself, I will tell the member tonight that, in fact, I did raise at the point of time of the withdrawal from the affirmative action program, my concerns with the senior management in Sask Oil and Gas, and as a consequence with the board of directors, who I might add I meet with on an annual basis. And it was brought up at that time.

**Mr. Solomon:** — Madam Minister, I was wondering whether you had a response to my colleague's question with respect to the fact that the government had on the board of directors, when this decision was undertaken, at least five of the 10 members. His question was related to the affirmative action program. These members obviously supported the arrangement.

I'm wondering whether you specifically gave directions to the board members that were appointed by your ministry — by your hand and by the Premier's hand — the direction in which they should recommend to the Sask Oil and Gas Corporation a deletion of the affirmative action program after your very own Premier wrote a letter to the president of the corporation, just two short years ago, supporting affirmative action in corporations.

**Hon. Mrs. Smith:** — I believe the member from Saskatoon Eastview's figures were right, that it was five out of 10 when that decision happened. And as I stated earlier, the board of directors and its senior management were making the managing decisions of that corporation.

**Mr. Solomon:** — So what you're saying, Madam Minister, is very clearly that we have . . . The provincial government, your ministry, has given direction to the board members that you've appointed to support this kind of a deletion of a very important program. And I find that consistent with what has been said by your Premier, at least in public, but inconsistent what he's said in private.

I'm wondering what sort of contingency plan you would have in effect when you remind the president of the corporation that the Premier has written a letter in support of such a program, and you have indicated tonight that you are going to do likewise. Do you think you will be able to make any difference?

**Hon. Mrs. Smith:** — Well if the member had been listening, he would have heard that I did not say that I gave direction. I had indicated to the member from Saskatoon Eastview that I in fact had raised my concern with the senior management in oil and gas and with the board of directors over the cancellation of the affirmative action program that was registered with the Human Rights Commission. I also stated, very clearly, that I do not give direction to the board of directors. They are competent people when they are appointed, and they are expected to act in a competent manner.

Now that was their decision, made at that time, given the economic conditions of the industry that they were in. And while you may not like it, and I wasn't particularly comfortable with it, the reality is that they made the decision, and then they must live with it.

Now I think it's fairly obvious that if the economics for the industry change, you may very well find them back into an affirmative action program. I don't know that you would find it being registered with the Human Rights Commission, but they may very well make a concerted effort to ensure that women, along with minorities, in fact, are hired within the corporation.

**Mr. Solomon:** — Well it's a typical Conservative . . .

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

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

Leave granted.

## INTRODUCTION OF GUESTS

**Mr. Martin:** — Well it's a great pleasure, Mr. Speaker, for me to introduce these 28 people from across Canada — six provinces represented here today, Mr. Chairman. New Brunswick is represented, and the gentleman from New Brunswick is 90 years of age. They're here from Ontario, Manitoba, Saskatchewan, B.C., and Alberta.

What we have here, Mr. Speaker, are a group of people involved in the Elder Hostel program of Canada. And what that means is, is that elder hostels' premise is very simple. Most retired people are active both intellectually and physically and ready for new challenges, and anyone 60 years of age and older is eligible for the programs. And the programs will last approximately one week. And there are various kinds of programs.

This group, Mr. Chairman, is currently staying out at Fort Qu'Appelle, and they're studying history of Saskatchewan, primarily the geological structure of Saskatchewan, and in particular, the geology of the Qu'Appelle Valley, which is most interesting.

And of course that will tie in with the fur trade, which goes back over 200 years — Simon Fraser, etc., and it would involve Mackenzie and all the rest of them. And I'm sure that the people from outside of this province are finding it terribly interesting, because we in this province are extremely proud of our province, and I hope you have an opportunity to see more than just the Qu'Appelle Valley area.

At any rate, it's my pleasure to welcome you to the House. And what you see going on here this evening is we're really just reviewing the budget, and members of the opposition are quizzing the Minister of Energy and Mines, the Hon. Pat Smith, about her particular department, that is Energy and Mines, and asking questions related to the budget, etc., etc.

The Speaker is not in his chair, but however, Mr. Toth, who is the MLA from Moosomin, is presiding over this process this evening.

**An Hon. Member:** — And doing a good job.

**Mr. Martin:** — And doing a good job, too, I might add.

So I ask all members, please, to . . . Thank you for allowing me to introduce, and please welcome our guests, not only from Saskatchewan . . . (inaudible interjection) . . . Are you 60? You want to join the club. You're 60 years of age and older?

**An Hon. Member:** — I thought you might mention me as well.

**Mr. Martin:** — Oh, okay.

Anyway . . . Well the member from Prince Albert will have his chance to become part of Elder Hostel when he gets to be 60 years of age, and he's working towards it now.

At any rate, please welcome our guests, our guests in the Speaker's gallery.

**Hon. Members:** Hear, hear!

**Mr. Solomon:** — Mr. Chairman, I'd like to join with the government member from Regina Wascana in welcoming our visitors this evening. We are very pleased to see you here this evening. There's a significant number of people living in Saskatchewan who are age 60 years and older, and many of them have been to this Assembly as well, but I'd like to, on behalf of the opposition, provide you with a very warm welcome, too.

**Hon. Members:** Hear, hear!

## COMMITTEE OF FINANCE

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

#### Item 1 (continued)

**Mr. Solomon:** — The member is also correct in the sense that we are in the process of what we call estimates, which is reviewing the budgetary expenditures on a line-by-line basis of the government departments. We have a very interesting evening so far, and I thank the member for complimenting me on what I've been doing tonight.

I haven't been as successful as I'd like, however, with regard to getting some answers. The minister has been a little more co-operative, however, since . . . in comparison to the previous day.

(2015)

Madam Minister, I want to raise some questions in relation to the Husky Oil upgrader in Lloydminster. I've got a number of questions I want to raise with you, and I'd prefer to do it in estimates tonight as opposed to a letter. But I'd like you to just give us some information in relation to the financial commitments. And I suppose what I'm looking for is some rationalization of this project of the government.

We have seen the government opposite, over the last six or seven years, work very actively in selling off the assets

of the people of this province. They have been privatizing or selling off Crown corporations at fire sale prices to your friends outside of the province. Your philosophy has been, and I quote one Deputy Premier in the Crown Corporations Committee meeting of February 5, 1988, the objective of your government is to sell off as much of the government's assets and as many of the government Crown corporations as possible so that when the NDP get back into power we'll never, ever be able to retrieve them.

You've gone on record on a number of occasions . . . You've got a ministry in charge of selling off the assets of this province, the Minister of Public Participation. Yet on this upgrader deal in Lloydminster, after eight announcements — political announcements in co-operation with the federal Conservative government, the Alberta Conservative government, and your government, the eighth announcement last fall leading up to the federal election campaign — you said that no, all of our philosophy is out the window with regard to selling off the assets and privatization. And what we're going to do is, we're going to sink in \$222 million of Saskatchewan taxpayers' dollars in a minority position in this corporation.

And I want to know from you, Minister, why you went off and turned your — just within a matter of months — your philosophy around on its ear; and secondly, why you went from a loan guarantee philosophy — that is guaranteeing loans of this heavy oil upgrader — to one which was equity, which is a commitment of cash of \$222 million. Can you explain those two things please?

**Hon. Mrs. Smith:** — Mr. Chairman, indeed the member is right in terms of the length of time. I don't know if I actually counted how many times we thought the Lloydminster upgrader was a go, but I know that it felt like a lot through all of the negotiations. And actually if you look at the history of it, I guess it was going on a long time before I ever got involved with it. There's no doubt that they were frustrating, and the member from Cut Knife-Lloydminster can attest to that, as he had the opportunity to sit in on many meetings with myself and the federal government and the Alberta government.

You know, philosophy doesn't have a whole lot to do with what you're talking about. If you make a commitment that you, in fact, are going to develop and diversify in Saskatchewan, you're going to have a hard time doing that if you are dug in to one philosophy or another. The real world out there accepts that there are various players within the economy, from the private sector to the public sector, joint ventures, partnerships, and various relationships.

We did, in effect, a joint venture with the co-op people over at the Co-op refinery on NewGrade upgrader, an arrangement somewhat different than what we did in Lloydminster. The federal government was also involved with that. We didn't have another provincial government that we had to deal with, but there was certainly another government.

I think we've said right from the outset that as a government we believed in a mixed economy and

government should, in fact, facilitate that if they can, if it's wise that they do that, and if it can't take place any other way.

We also, in looking at the issue of another upgrader up in that north-west corner, took into account the long-term resource of heavy oil, the difficulties in the development of it, and one more factor came into play. We were simply tired of shipping all the jobs on the processing end down the pipeline either to the South or to the East.

For a change, we wanted the opportunity to see some of those processing jobs stay at home, processing to do with some of our raw commodities. And this gives us an opportunity to do that. Now why did we look at an equity position rather than loans? . . . (inaudible interjection) . . . Yes, that's true. I believe the first package that was on the table some months before the final negotiation session was one of loan guarantees, and quite frankly we could not come to an arrangement within the four — Husky, Alberta government, federal government, and the Saskatchewan government — one that was suitable to all on a loan position.

So we looked at other options. And the equity position was one of those options, and we moved with that. And as a consequence, a final agreement was reached, and today the groundwork is going on for the Lloydminster upgrader.

**Mr. Solomon:** — Well, Madam Minister, this is a very significant turn of events with regard to your economic initiatives, and one has to question the motives of which this decision was based.

What I want to read to you this evening, it's just an excerpt from the *Leader-Post*, Saturday, September 3, 1988. And it says here, and I quote:

So the Husky heavy oil upgrader is being announced again. When's the election?

From a well-known newspaper columnist. And I continue on from quoting in the newspaper:

It's easy to be cynical about the much announced, often delayed Lloydminster upgrader. When a project gets announced eight times in four years, people are bound to get cynical. The project has undergone a metamorphosis of its own, with the price tag gradually shrinking from a full-blown \$3.5 billion in the mid-1980s down to a svelte \$1.3 billion by 1988.

The only constant has been Husky president Art Price who attends press conference after press conference to announce a project that seemed destined to produce more paper than oil. And of course we're supposed to believe this is the real thing this time.

And it goes on to talk about megaprojects and so on. And it talks about Bill McKnight, the minister responsible for western diversification, whose riding the project will be located in; and it talks about the Deputy Prime Minister's riding who is adjoining Mr. McKnight's, Don

Mazankowski's in Alberta.

I think what we've seen is a project that was put together very quickly, at the last moment. You know it was announced seven or eight times. And I want to ask the minister if you can table this evening the feasibility study which was done which showed that this project would go on the basis of the financing that you have resolved to proceed with.

**Hon. Mrs. Smith:** — Briefly, Mr. Chairman, just a comment on the editorial that the member was reading. I recall that editorial. I suppose as editors go they have their perspective, and their viewpoint, and write accordingly. I think what the member must remember: when, in fact, that announcement in September took place that we had the actual signing of a joint venture agreement. Previous to that, on occasion, they came to an agreement in principle and for one reason or another the agreements in principle did not fly. Whether the economic conditions changed, whether one partner within the negotiations . . . their, perhaps, economic conditions changed, I don't know. I don't recall all of the circumstances of the various agreements that were looked at.

But I do know that, in fact, they did change over the course of time during the negotiation. But the September one, and it is key to remember that, in fact, the actual joint venture agreement — the final document — was signed. There was no agreement in principle signed two weeks . . . or announced two weeks before that. We waited until the actual joint venture agreement.

The feasibility study, I don't have that and, in fact, because there are four partners in on this, I would think that there would have to be permission and agreement by all four to in fact table such a document. But I simply cannot do that tonight.

**Mr. Solomon:** — Have you undertaken to do a feasibility study prior to the signing of the agreement?

**Hon. Mrs. Smith:** — Yes, Mr. Chairman, we in fact did evaluate the . . . I guess one might say the prudence of the investment, and at that time it was concluded that in fact we would go ahead with it.

**Mr. Solomon:** — The minister said that you did a feasibility study, and that the feasibility study showed that you should proceed? Is that what you said?

**Hon. Mrs. Smith:** — No, what I said was we did an evaluation on the investment and the prudence of it, from want of a better term, and concluded after doing that evaluation that in fact it would be a good investment.

**Mr. Solomon:** — So you've decided to invest taxpayers' money. Could you perhaps tell us where you were going to get \$222 million to invest when your operating budget is at \$4 billion? It has gone from a surplus of about \$155 million in 1982 to over \$4 billion in operating now, in debt, operating debt of \$4 billion and a Crown corporation debt of over \$8 billion. Where were you going to get this \$222 million, Madam Minister, and how much were you going to pay for it?

**Hon. Mrs. Smith:** — Mr. Chairman, I already stated that the evaluation we did was on the investment, and the conclusion on that was that, in fact, it would be commercially viable.

Now I think the member must look at some of the other spin-offs that come with the Lloydminster upgrader. Jobs is one of them, obviously a very big one — not only temporary while construction is going on. And as the member will know from living in Regina and watching the NewGrade upgrader go up, you're looking at about three to four . . . three to five years of construction work and a lot of jobs. There's also over 300 permanent jobs that will go with that structure in Lloydminster.

You have the development of the feedstock that will be required for the Lloydminster upgrader. That takes in a lot of jobs, and over, I might add, a very long period of time.

You have the indirect spin-offs that will come from that in a community like Lloydminster and some smaller surrounding towns: restaurants, hotels, clothing stores, real estate, homes, taxation levels for R.M.s and the town councils and the Lloydminster city council. So the spin-offs indeed are very large. In fact, Mr. Chairman, I think it's estimated that about \$6 billion will be spent over the lifetime of that project on things like salary and equipment and other factors. So it's not a small project.

(2030)

Saskatchewan has a 17.5 per cent share in the upgrader, which is \$222 million. And I suppose one could take the view that the member has, because one is in debt, that one should not be looking down the road at the future for this province. But we don't look at it that way.

We believe that in fact this is a long-term investment, and including 20, 25, years from now. It's the development of our heavy oil resources; it's jobs for our people; it's revenues for our communities, the development of those communities, very much people-orientated, as opposed to looking at the debt on a Crown. The dollars, this will be through Crown Management Board as are other large investments.

**Mr. Solomon:** — Madam Minister, you said you did an evaluation on the investment and the investment looked good. I'm asking you again: where are you going to get the \$222 million to invest, considering the fact you've got a deficit, an operating deficit of \$4 billion and a Crown corporation capital debt of \$8 billion?

Can you tell us where are you going to get the money, number one; and number two, where is the evaluation? Was this an evaluation based on various business interests or was it based on the timing of the federal election campaign, ergo political evaluation?

**Hon. Mrs. Smith:** — Well the evaluation was based on a number of factors. I've already . . . Well which question do you want answered first? You want both. Well let me answer the one that I started out with and then we'll get to the latter question. All right, we agree on that.

Now I forgot what the question was. Where did we get the

money? I've already told him that the money, the payments, come through Crown management. And the investments and the borrowing of those dollars — listen now — work no differently than what they used to when you called it . . . What did you call it? Crown investment, I think, previous to 1982.

It's a long-term, it's a long-term project, Mr. Chairman, and will be treated as such. And the borrowing of it will be done through Crown management. I hope that answers the member's question.

**Mr. Solomon:** — Well not quite, Madam Minister. The name of the corporation is actually the Crown investments corporation. Whenever you want to invest some borrowed money of the taxpayers . . . or borrowed money the taxpayers would be on the hook for, you call it the Crown investments corporation. Whenever you figure you can try and manage the corporation, you call it the Crown Management Board.

Legally it's still called CIC, Crown investments corporation. And I think if you want to change it legally to Crown Management Board you'd have to do a lot of marketing and selling on the fact that you could manage anything, because you can't. I mean that's been proven time after time with Saskoil and Sask Minerals and SGI and the potash corporation, and so on.

You told us you're going to get \$222 million from the Crown Management Board/CIC. You have an \$8 billion Crown corporation capital debt that they're responsible for already. It seems to me you're going to get this money probably at 12 or 14 per cent interest per year. You're giving it into the Husky upgrader project interest free because it's an equity purchase.

I'm wanting to know if you could table the evaluation that you did. I'd like to know what kind of break-even-point analysis that was done on this project to make you conclude, as you've said, that this evaluation pointed very clearly that it was going to be an investment worthwhile investing in for the return on the investment.

**Hon. Mrs. Smith:** — Mr. Chairman, I've already indicated that I cannot table that.

**Mr. Solomon:** — Why not?

**Hon. Mrs. Smith:** — I believe the member was in this House when we got into some questions regarding the NewGrade or the Co-op upgrader. And I cannot table those documents because they contain confidential, commercial information, and to lay out that commercial information would put the upgrader in somewhat of a sensitive position, more so than its competitors. And I cannot do that.

**Mr. Solomon:** — Well, Madam Minister, I don't think that argument washes. You've told this House tonight that you've done an evaluation. You're saying it was based on some kind of risk analysis, but I think it's political risk analysis in my view. I think that's generally conceded by everybody who's looked at this project, outside of the three partners . . . or the four partners.

And I want the minister now to, since you're not going to proceed in tabling that, I'd like to know if you can table a censored copy of the document which would show, at least, what kind of rate of return we're going to have on our investment, and when you believe and your officials believe we're going to get our investment back, if at all.

**Hon. Mrs. Smith:** — I don't recall stating to the member that, in fact, there was . . . that I talked about a risk factor. I may have. However, it escapes me for now that I did, if in fact I did.

When we did the evaluation, I think the key components that come into it, one is obviously the cost of construction and, given interest rates, how long it will take to pay off. And of course all of that is based on the price of oil, what it costs for feedstock, plus some other, I guess I would call them minor — they're probably minor — but certainly figures that would come into play in looking at that evaluation.

In terms of the rate of return, I will tell you tonight that the differential that is required for this upgrader to at least break even would be about \$4 U.S. I believe once you are up close to that \$5 mark, then you are looking at a reasonable rate of return on it. But it's \$4 U.S. for the differential.

**Mr. Solomon:** — So you won't tell the people of this province what you based your evaluation on with respect to this investment. I want now, Minister, to go to the . . . some percentages and some equity positions in the joint venture agreement.

The project makes little sense when you look at it in terms of the Saskatchewan side for the people of this province. For our 27 per cent contribution to the heavy oil upgrader . . . I'm sorry, for Husky Oil's 27 per cent contribution — they contribute 27 per cent — they get approximately 54 per cent of all the revenue. They put up 27, they get about 54, and I may be off by one or two points, however that's generally accepted in the agreement here.

Saskatchewan taxpayers are contributing 17 per cent of the equity — actually 17.5 — and we're getting only 10 per cent of the revenue after the upgrader . . . the Husky people realize a return of 10 per cent on its investment. So in essence, we've put up 17 and a-half per cent, we're getting 10 per cent of the profits, and that will remain in effect until Husky Oil realizes a return of 10 per cent on its investment. And given current conditions and the volatility of the oil prices, that could be some time before we get our investment.

Can the minister explain how this kind of a deal is going to be good for Saskatchewan taxpayers?

**Hon. Mrs. Smith:** — Well, Mr. Chairman, some of the benefits to Saskatchewan on the Lloydminster upgrader, and let me begin with again, very clearly for the member, you are looking at over 5,000 jobs — 5,000 jobs, mister, people — of direct employment during the construction of the upgrader. That's not for one year or a year and a half . . .

**An Hon. Member:** — When's it going to start?

**Hon. Mrs. Smith:** — Well the member from Athabasca says, when's it going to start? If he would go to Lloydminster I would be pleased . . . He can go up with me next week; I'm going up. And in fact the land has been cleared and some of the contracts have been tendered and in fact bid upon and let out for the beginning of the project. All he has to do is read. *Saskatoon Star-Phoenix* covers it and so does the Lloydminster paper. I would be surprised if Meadow Lake didn't either.

Mr. Chairman, back to the benefits for Saskatchewan. We've got well over 5,000 jobs, direct jobs, during the construction period. We've got over 300 permanent jobs to go with the upgrader upon its completion. We've got at least 1,500 permanent jobs that are created as related production facilities are developed to supply the feedstock for the upgrader.

Mr. Chairman, that works out to about 7,200 jobs across Canada. And why I say across Canada, I think there was a recognition that in fact some of the engineering equipment, that type of thing, would probably be outside of the province of Alberta and Saskatchewan.

We are looking at a further \$2.5 billion, over and above the cost of the 1.2 for the construction of the upgrader, that will be spent over the 25 years to operate, just to operate the upgrader, Mr. Chairman. And once again, that will total, over the lifetime of this particular project, everything included, including the development of the feed stock, the development of the heavy oil fields around Lloydminster, you're looking at a \$6 billion project.

Now I know it's over 25 years, but I stated earlier, you had to look at it on the long term. And I think on the long term you can't argue with the benefits of that project. I mean, it's pretty hard to even argue with them on the short term — the construction jobs and the engineering jobs alone that go with it.

Saskatchewan, I think, has placed itself fairly well to move some of the jobs that were, in fact, in Regina out at the Co-op upgrader over to Lloydminster. I would suggest to the member that, in fact, Alberta is somewhat worried that they will not see their fair share of some of those jobs when it gets into the construction period because of the workers moving from Regina to Lloydminster, Mr. Chairman.

So the benefits, over and above what I've given the member, I think he only has to look at what happens when you diversify and in fact when you develop a raw product and you begin to process it at home.

Indirectly, for the community of Lloydminster and around it, the spin-offs are many, from revenue within the community, taxation, and on down the line. So the spin-offs are extensive and the benefits also, Mr. Chairman.

**Mr. Solomon:** — Well, Madam Minister, I think I heard you say 5,000 construction jobs. Is that correct?

**Hon. Mrs. Smith:** — It says person-years, and it's five point eight thousand. Person-years, I just said over 5,000.

**Mr. Solomon:** — What I've got is, Madam Minister, is a Lloydminster newspaper, actually *Star-Phoenix* report of May 17, '89. The title is: "Husky Oil upgrader breaks ground — official."

Last week Husky started on-site stripping of top soil, and construction will begin before the end of this month, Mr. Ferris said.

He is the vice-president of Husky Oil.

At peak construction 2,750 people will be working on the site. Once on stream the upgrader will be operated by 280 workers and they'll create another 150 spin-off jobs.

So it won't quite get the 7,000 like you say; maybe 2,750 at peak construction. But none the less, Madam Minister, what I want to know is, you've sunk in \$225 million in equity on a project that is contrary to your philosophy. The Premier of this province on the front page of the *Leader-Post* on September 3, 1988, said, and I quote:

"I don't want any of it," he said. "If it had all been done by the private sector, then fine, but it wasn't."

(2045)

He goes in here reluctantly. The headline is not Lloydminster upgrader for Lloydminster; instead it's, the headline reads, and I quote, "Devine eager to sell province's share of upgrader." Well he's trying to sell it before it's even built.

And I'm curious to know, Madam Minister, having said all those things, what kind of assurances do you have as a result of this investment, in writing, what kind of guarantees do you have that will ensure that we get our fair share of Saskatchewan people working there, and that we get our fair share of the purchases made in relation to that construction of services and products and supplies from Saskatchewan suppliers?

**Hon. Mrs. Smith:** — Mr. Chairman, just a clarification on the over 5,000 job figure that I used. That over 5,000 is directly out of the Husky figures that they have put out to contractors and the community and the media. And I think the one that you were reading is the 2,000 at peak. But don't forget this project will be about four years, and over the course of those four years you're looking at over 5,000 jobs.

What have we got in place to ensure that we get a fair share in terms of the job benefits, Mr. Chairman? We in fact did come to an agreement with Alberta and Husky that we would have a memorandum of understanding on the industrial benefits, and that lays out the objectives of both provinces, including the Government of Canada, because they are contributing. And we will be meeting at various times to monitor and to ensure that each province is getting its fair share.

**Mr. Solomon:** — So what you're saying is you have nothing in writing that guarantees our fair share. You're

saying you're going to meet and you're going to talk about it and you're going to ensure that maybe, maybe we will.

The industrial benefits policy and manpower plan that you have in your joint venture agreement do not indicate a rigid formula prescribing a required level of content or employment from either the province or from Canada. The only statement is that project requirements will be sourced equitably.

And I'd like you, Minister, now, in relation to this statement, to explain what assurances Saskatchewan companies have in providing goods and services to this project. And I might add that about \$120 million in engineering contracts have already been awarded, all of them to Calgary-based firms. Only one contract was awarded to a joint venture of Bantrel of Calgary and Kilborn of Saskatoon.

Could you explain what assurances . . . you've mentioned meeting and having some equitable formulas derived. Is there something hard and fast?

**Hon. Mrs. Smith:** — Well, Mr. Chairman, the member obviously wasn't listening. I said we had a signed agreement, and it is a memorandum of understanding on the industrial benefits, signed by both Alberta and Saskatchewan.

Now he wants to know what formula is within this memorandum of understanding. It does not have a cut and dried formula as you have put forth, and for a very good reason. First of all, if you require something within the upgrader, and let's use the example that it was 50 per cent cut and dried, Alberta versus Saskatchewan, and you were looking at something like pressurized welding, we might not be able to supply the 50 per cent content. Alberta can.

On the other hand, there may very well be a service or a product that we can supply 60 per cent of, or 100 per cent. So it is not cut and dried, 50-50.

The board of directors has laid out a policy statement and their objectives, and it is one that states both provinces will see their fair share, as we're calling it here tonight, and that is also what the agreement states.

When I talked about discussion, I said that we would be meeting on a regular basis as a monitoring device to discuss, update ourselves, be able to ask questions — are we in fact getting our fair share of contracts according to where the expertise is. And that will indeed take place.

**Mr. Solomon:** — Madam Minister, when will the payments of the \$222 million take place? Are they made in sequence, on demand? How much has already been made in terms of the payment?

**Hon. Mrs. Smith:** — I don't know if I can answer the member specifically tonight, but I believe they are advanced by all partners in proportion as required.

**Mr. Solomon:** — Would you be able to tell us, either tonight or some other time by letter, the amounts that have been advanced from Saskatchewan and the timing

of the payments and roughly when the final payment will be made — just a sequence of events. I would appreciate that.

I want to turn now, Madam Minister, to a question regarding environmental impacts. I have a newspaper article here from the *Prince Albert Daily Herald*, May 17, 1989, and the title of the story is, "Too late to worry now about megaprojects." And it's date-lined Ottawa, Canada Press. And I quote:

It's too late to reconsider the environmental consequences of Canada's energy megaprojects even though construction hasn't begun, says Environment Minister Lucien Bouchard.

"The government has made the decisions," Bouchard told the Commons environment committee Tuesday.

"Those are commitments and they will be implemented. I must deal with the present and the future."

And also in the article it says,

Environmentalists say that Ottawa is promoting consumption of fossil fuel is by subsidizing large oil projects. They also say there have not been adequate environmental reviews of the megaprojects, which are to receive more than \$5 billion in federal grants and guaranteed loans.

I want to ask the minister tonight whether there's been any environmental impact studies done on this project. And in particular, since we've seen the government's handling of the Rafferty problem — you seem to have misplaced the law or broke the law on that one, and that was determined by the federal courts of Canada — I want to know, have you done a job like this at Lloydminster, or have you done the job you're supposed to do with regard to environmental impacts on the project?

**Hon. Mrs. Smith:** — I believe a full environmental impact assessment and statement was done and approved through the Department of Environment.

**Mr. Solomon:** — So you're saying that, to your knowledge, the EIS (environmental impact study) has been done on the project — both federally and provincially, both Alberta and Saskatchewan and Canada?

Okay. The minister nods in the affirmative.

My question that I have to you now is more of a general one. I want to know what your thoughts are with regard to the Premier's comments. He said he'd rather not be involved in this project; that the Conservative government does not want to get involved with these projects. Yet they happened to be involved in them whenever there's an election around and they want to help re-elect their cousins in Ottawa.

But since no private sector investors could be found to participate in the original upgrader deal, do you expect

any different response from individual investors when the time comes to sell off your interests; and what imaginative privatization proposal will need to be put together on this one? Could you describe it for us?

**Hon. Mrs. Smith:** — Mr. Chairman, that's all rather hypothetical. But I would suggest to the member that you might perhaps want to treat this like a utility. There's gas line utilities; there's electrical utilities; there's various kinds of utilities. If you did, you might very well put it out for a public share offering. It might be based on bonds. There's various mechanisms that one could do with it, if in fact the government wanted to move out and the time was right and, in fact, the public was interested. I can't give him one option or another.

**Mr. Solomon:** — Madam Minister, one other question quickly. For our \$222 million investment, the numbers in an article entitled, "Just in time", state that you will . . . that we will receive, as a province, approximately 28 per cent of the upgrader expenditures and 36 per cent of the feedstock development and operation expenditures. In comparison, Alberta for \$306 million will receive 58 per cent of the upgrader development. So they've got a little tiny more proportion than we do, yet they're going to receive, not 28 per cent, but 58 per cent of the upgrader development and operation expenditures. And they'll be supplying, not 36 per cent of the feedstock, but 52 per cent. I was wondering if those numbers coincide with your letter of agreement, or are these different numbers?

**Hon. Mrs. Smith:** — You're right. The member from Quill Lake for a change is right. I'm not aware of the article. I don't know where the figures are from or, in fact, what the analysis of it is based on.

**Mr. Solomon:** — Can you share with us the percentages that you have in relation to the equity that we have in comparative terms to Alberta? Do you have those handy?

**Hon. Mrs. Smith:** — The feedstock arrangement that is included in the joint venture agreement very clearly sets out the 50/50 — 50 for Saskatchewan and 50 for Alberta. And that is in the joint venture agreement as it relates to the feedstock arrangements.

I find it odd as to where this article got its information. They talk about the field development and the majority of it going to Alberta. That simply isn't realistic, nor will that happen, and for this reason: Alberta's heavy oil close to that area has been developed for some time. It is the heavy oil on the Saskatchewan side that will need the development, not on the Alberta side. So I'm not sure where . . . what kind of background information the person was using in writing the article.

**Mr. Solomon:** — Well that wasn't my question. My question was related to the shares in the comparative expenditures and feedstock supply in each province.

Madam Minister, you gave a speech at the IPAC (Independent Petroleum Association of Canada) board of directors dinner on February 15, and it was a key-note address to the oil people in the Independent Petroleum Association of Canada.

And your assistant deputy minister as well gave a similar speech to the energy conference in Saskatoon which I attended. And the three key words in the 1990s, you were quoted as saying, because your speech dealt with the next 10 years in Saskatchewan, the three key words in the 1990s, and I quote to you, Madam Minister, are: environment, environment, environment.

And I want to know, Madam Minister, how will the environmental concerns of your department be incorporated, or the environmental concerns of your speech be incorporated with the oil operations in Saskatchewan? And I want to know how those comments square with what has been happening with the Co-op refinery. And thirdly, I want to know whether you're going to be able to prevent some of these things from happening at the Lloydminster upgrader.

(2100)

**Hon. Mrs. Smith:** — Mr. Chairman, let me deal with the last one first.

As it relates to the Co-op refinery or the upgrader, and the Lloydminster upgrader when it comes on stream, I think it is very normal that you will see new upgraders go through the first year or so having some start up problems. I think perhaps the Co-op refinery has had a few more problems than what you would find with, for example, the upgrader in Lloydminster. This is an integrated project onto a refinery that was already there which had compounded some of their start up problems to do with equipment and that type of thing.

As it relates to the environment, when we talk about oil and gas development, and mining for that matter, whether it's gold or coal or uranium, there's obviously some disturbances within the physical environment as that activity takes place. But I think it is apparent, very apparent within the oil and gas industry that indeed environment, no matter how you define it, is going to play a bigger and bigger role on some of the decisions that the oil and gas companies make. Some of it has to do with technology — technology changing very rapidly that will change some of the ways that they normally do their exploration work.

I believe you were there that evening and I had talked about the onset of horizontal well drilling. That is very good for the environment because you will replace about five conventionally drilled wells with one horizontal well. So that tells you something about the physical environment that it will take place in and there will not be those disturbances. And of course, with that you also reduce the risk of spills of salt water, waste materials, that type of thing. That's just one example.

**An Hon. Member:** — That's not proven . . .

**Hon. Mrs. Smith:** — Well, you say that's unproven. I would suggest to you, given the record today of the horizontal wells in Saskatchewan, and I will use the Sceptre Murphy project as an example because it is very successful. They have done extremely well with it and that technology can be passed on to other companies.

There's heavy oil, and heavy oil on the average we pump maybe 15 barrels a day — maybe — out of the average well that produces heavy oil. Now the project for Sceptre Murphy, they are looking at about 1,000 barrels a day. So I think that the worth of the project is going to speak for itself.

I think some of the other issues that will eventually affect decisions to do with oil and gas. Obviously at the refinery end you will continue to be required to meet public demand in terms of things like leaded gasoline. There will be issues that will stay with us such as the greenhouse effect, coal, the mining of coal, that in turn presents some interesting options and challenges for not only the oil and gas industry but indeed the mining industry as well.

So in terms of development, I think that the education process and the concern from people — more to do, I guess, with the changing climate than anything else — has certainly raised the issue of environment, including on the minds of the people that do the actual exploration of the oil and gas. I find in discussions with them that in fact most of them — I wouldn't go so far as to say all of them — but I will say most of them that come into this province are very aware that environment is a concern and there are guide-lines to be followed and that they must adhere to them.

I think many of the companies that lay out a very active drilling program go so far, even if it is not in a sensitive area such as the Great Sand Hills — go so far as to lay out an environment strategy plan for people that will be doing work with them. And I think as we move along through the next couple of years, you will find most oil and gas companies will follow that lead.

**Mr. Solomon:** — Madam Minister, I have a newspaper report entitled: "Alberta energy industry upset with new tax." And it states that:

Alberta's energy industry is expecting to pay an extra \$25 million a year to Ottawa, thanks to a little-noticed wrinkle in Finance minister Michael Wilson's new budget. As of January 1, 1990, the National Energy Board has been ordered to levy fees on the industry it regulates to recover the full cost of its annual operating budget.

I'm wondering if the minister is aware of this, first of all, happening, and secondly, whether your department will be giving some consideration to levying a new energy tax in this province on the pipeline companies and others who operate to pay for the full amount of the cost of operating the ministry of Energy and Mines.

**Hon. Mrs. Smith:** — I believe this tax that you're talking about is not yet in place. In fact, I think it's in first reading, with some changes . . . legislation in the House of Commons.

I think you were asking if the Saskatchewan Department of Energy and Mines is going to implement a tax that the pipeline companies would then pay for the cost of operating the Department of Energy and Mines. Is that . . . Have I got that right?



**Mr. Solomon:** — The annual charges will be about \$13 million on natural gas pipeline firms. Another 10 million will be raised from oil pipelines, and electricity companies will pay about \$2 million. But Alberta exploration and production firms will wind up paying the bill because the pipelines are expected to pass them on with increased shipping tolls.

So it's really the transportation, but they'll be looking at raising about \$25 million on that, Madam Minister.

**Hon. Mrs. Smith:** — Well we are not looking at a tax that would pay the full recovery costs for the operation of the Department of Energy and Mines. I think what you are looking at in terms of the National Energy Board, that's much different than the federal department of Energy, Mines and Resources, and that will still be operating.

I know that the National Energy Board has had a fair number of hearings, probably more than what many of them would like to sit through, but nevertheless, they've served a purpose. And I suspect that's one of the reasons that they've looked at that tax, has been the additional cost of the public hearings and that type of thing, and, I suppose, an economic measure in terms of tightening up their own budget and their own expenditures.

The issue of who's paying and the impact on our own industry closer to home is one that should be of concern for everyone. That is not to take away the concern that should be there in terms of the federal deficit, but I think you have to take a very hard look at the impact that it does have on Saskatchewan. It's one of the many issues that I will be raising with Mr. Jake Epp, and I meet with him tomorrow.

**Mr. Solomon:** — Madam Minister, I want to know what obligations the Government of Saskatchewan will have in the Husky-Lloydminster upgrader in the event the operation loses money. We are now equity partners to the tune of \$222 million, we own 17.5 per cent of the operation, and we're getting a very poor deal when it comes to return on investment.

But I want to know, Madam Minister, what kind of contingency plans do you have in place if the corporation loses money? What kind of extra cost to the taxpayer will this operation be in terms of direct grants as an equity partner in the event the thing loses \$50 million a year or \$100 million a year? Can you give us some idea what taxpayers can expect in terms of additional grants to this corporation?

**Hon. Mrs. Smith:** — What, are you hoping it's going to lose? Got your fingers crossed this thing's going to lose money? Yes. This isn't going to lose money, Mr. Chairman. You know, I indicated the differential. The differential will be about \$4 U.S. Well, he says, it'll be the first one. You know, how's the Co-op upgrader doing?

The differential required on the Co-op upgrader ... It's operating, it's not losing as you suggest, four years before it's even up and running, that the Lloydminster upgrader will. Mr. Chairman, it is a viable project, and when it's up and running the ... it will tell so.

**Mr. Solomon:** — Madam Minister, you say it's a viable project. You won't table any break even point analysis. You won't table any evaluation. You say it's a break even project. The federal Minister of Energy, Marcel Masse, in his own paper authored by the federal government, called "Energy Options," said the project is not viable. He said it's not viable unless you fork over the tens of millions of dollars, the hundreds of millions of dollars that the provincial governments and the federal government has.

Husky Oil has put in a very small amount of the money. They're going to be getting 54 per cent of the corporation. The people of this province are putting up the risk capital and not getting anything in return, and you call that a good investment. Well you should be ashamed of yourself. It's even a worse investment when you look at even in comparative terms to Saskoil. You say Saskoil's a good investment. It's doing great guns for Saskatchewan.

The problem you overlook is that you've given away 35 per cent of the company for nothing and you've diluted the control of the corporation, you've diluted the number of shares that the government holds. You go along with the president of the Sask Oil and Gas Corporation's request to take over the company. He's now in control of the operation. He's got shareholders around this country with 1.4 per cent of the shares outstanding in private hands in Saskatchewan hands. The other 98.6 per cent are owned by people outside of this province.

And in my view, Madam Minister, you've botched the deal. You botched the deal with Saskoil. You've botched the deal when it comes to protecting the taxpayers' dollars on that one. And now you're refusing to table feasibility studies and break even point analyses and evaluations which, you've said yourself in his House, prove that it's going to be a good investment. Yet you have to borrow \$222 million at higher rates after your Crown corporation capital debt is at 8 billion already.

I don't know if you've been doing something funny here, Madam Minister, or you think we're all living in wonderland. That's not the case. The problem is, you're trying to cheat the people of this province, in the Saskoil deal, out of control of a Crown corporation that has produced revenues and dividends to the treasury of this province to subsidize the tax expenditures of this government on programs like health care and education and even energy and mines.

Madam Minister, I just can't believe the weakness of your operation across the floor there — not just in your government but even in your own ministry. You haven't done the job that you should be doing protecting the taxpayers' dollars in this province. You have not been accountable, in my view, to the people of this province.

You're falling in the footsteps of your colleague, the Minister of Justice, who has attacked the auditor in a personal nature in this House. The auditor has even concluded that the government that you are part of broke the law 46 times in 1988 in terms of accounting for expenditures.

And we're seeing again, Madam Minister, a cover-up, in my view, of the deal you struck with your Tory partners in

Alberta, your Tory cousins in Canada. And I can tell you that Li Ka-Shing and Bob Blair have got a very good deal at the expense of your naivety. These people are very astute business people. Have no fear, they've taken this government, in my view, to the cleaners. They've let you put up the taxpayers' dollars of \$222 million, risk it all, and they get all the gravy.

(2115)

That's unbelievable, Madam Minister, but certainly consistent, certainly consistent with your government's track record over the last number of years. And that's why, Madam Minister, this province is bankrupt. You've got \$12 billion in debt that you're responsible for now, and you're saying, well we've got enough money around to invest in risky projects like this. I think it's a shame, Madam Minister.

**Hon. Mrs. Smith:** — Mr. Chairman, it's interesting to hear the member say we botched the deal. You know I think that . . . I believe that the negotiations or discussions on an upgrader for Husky have been going on something like 13 to 15 years and there was never a deal reached — 13 to 15 years.

This member across here from me, Saskatoon Westmount, was probably sitting in that chair when some of his own members were trying to get a deal for an upgrader. Mr. Chairman, I think the success of this government in terms of the development of its oil, stands on its own — not one upgrader, but two.

Not only that, Mr. Speaker, but you know I look at what Husky has at risk in here, and they have \$338 million at risk, more than the Alberta government, more than the Saskatchewan government. Yet he stands in his place and he says, we put it all in and we've been taken to the cleaners.

Mr. Chairman, I think that four years down the road that this member from Regina may very well be wanting to buy a share in the Lloydminster upgrader, and that will be the success of it, Mr. Member, when in fact that time comes. And you can rest assured with the heavy oil in Saskatchewan, and what is happening with conventional light oil, that indeed the day will come when it will be giving a return far more than that \$4 differential that we talked about that is required to break even.

Item 1 agreed to.

Items 2 to 5 inclusive agreed to.

#### Item 6

**Mr. Solomon:** — Madam Minister, I was wondering if you could share with the House what this \$1,527,600 pertains to. You've got payments to the Saskatchewan Property Management Corporation of 1.527 million, which is an increase over last year. Could you tell us what those payments are for?

**Hon. Mrs. Smith:** — Those charges include rent, accommodation, capital repayment. The department is having to put in a new mineral filing system, and there's a

capital component to that. There are things like photo services within the geology branch, records maintenance, and mail charges.

Item 6 agreed to.

Item 7 — Statutory.

Vote 23 agreed to.

#### Supplementary Estimates 1989 Consolidated Fund Budgetary Expenditure Energy and Mines Ordinary Expenditure — Vote 23

Item 1 agreed to.

Vote 23 agreed to.

#### Consolidated Fund Budgetary Expenditure Economic Diversification and Investment Fund Energy and Mines Vote 66

Items 4 and 5 agreed to.

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

Items 1 to 3 inclusive agreed to.

Vote 1 agreed to.

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

**Mr. Solomon:** — Mr. Chairman, . . . talking about this book right here. On page 109 there's nothing on Energy. I've got Science and Technology. On 107 I've got Energy and Mines. What year do you have there? Have you got the right year?

**Mr. Chairman:** — I have '89-90. It's page 109, Energy and Mines. Item 1 agreed?

Items 1 to 3 inclusive 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.

#### Supplementary Estimates 1989 Saskatchewan Heritage Fund Budgetary Expenditure Resources Division Energy and Mines Ordinary Expenditure — Vote 1

Item 1 agreed to.

Vote 1 agreed to.

**Mr. Chairman:** — I'd like to thank the minister and her officials.

**Hon. Mrs. Smith:** — Thank you, Mr. Chairman. I want to take this opportunity tonight to thank the opposition for their patience, and in particular for my critic. I think we had a fairly good discussion, despite the fact that he maybe had the wrong year on his *Estimate* books. However, we did make it though. And, Mr. Chairman, I would also like to thank the officials from the Department of Energy and Mines that are with us tonight.

**Mr. Solomon:** — Mr. Chairman, I'd like to extend a deep, heart-felt gratitude to the Minister of Finance for sending me about six copies of the old *Estimates*, and I sure know what we did last year, which is probably one step ahead of the government.

But I'd like to join with the Minister of Energy and Mines in thanking her officials for helping her out because she needed an awful lot of help, and they bailed her out a couple of times, but there were some occasions where she stuck both feet in her mouth and they just couldn't help her. Thank you very much.

#### Motions for Interim Supply

**Hon. Mr. Lane:** — Thank you, Mr. Chairman. Beside me is Art Wakabayashi, deputy minister of Finance; immediately behind me John Wright of the taxation branch, Bill Jones of the investment side, and Keith Laxdal the associate deputy minister.

Thank you, Mr. Speaker.

Resolved that towards making good the supply granted to Her Majesty on account of certain expenses of the public service for the fiscal year March 31, 1990, the sum of \$476,798,400 be granted out of the Consolidated Fund.

(2130)

**Mr. Shillington:** — Thank you very much, Mr. Minister. I wonder if you would begin with a brief explanation of what you're doing. Your amount you've provided is neither one-twelfth nor two-twelfths, and I wonder if you'd give us an explanation as to what you're doing.

**Hon. Mr. Lane:** — Well, I apologize to the hon. member. I thought that information had been forwarded over to . . . Your research people asked for it this afternoon; I gave it to them at their request. I just assumed it would be . . .

**An Hon. Member:** — Given my statement still stands, just answer the question.

**Hon. Mr. Lane:** — I'll be pleased to answer it, but if you didn't get the information . . . We did forward it this afternoon to the opposition leader's office, so I thought that was fair.

School operating grants will be four-twelfths, 87,446,200; school constructions will be four-twelfths, 16,911,600; grants to libraries will be four-twelfths, 1,373,000.

I can go back on the school operating grants that . . . It's three-twelfths . . . four-twelfths, three-twelfths in excess of the one. Funding required for payment of half the appropriation by June 30, 1989, and that's a continuation of the past practice.

The school grants construction funding required for payment of half the appropriation, again, I'm advised by past practice. Grants to libraries, funding required for payment of one-half the appropriation by June 30, as stipulated by the regulations.

Teachers' pensions will be two-twelfths. Funding to facilitate the year-end teachers' superannuation fund, June 30. Grants for rural development will be two-twelfths.

MCIC (medical care insurance commission) will be \$7 million; \$6 million the extra weekly run of payments to the doctors. That's not a ratio of one-twelfth, that's the amount needed. Urban Affairs, urban revenue-sharing: the amount in excess of one-twelfth is \$19,618,000. Traditionally the first two quarterly payments under this program are made on June 1 and July 1 of the fiscal year. Additional funding has been requested to meet that commitment. And the Legislation is \$2,940,400 million. That's not a ratio again; that's the additional amount that's been requested for Legislation.

**Mr. Shillington:** — The obvious question arises, Mr. Minister, as to why you didn't do this earlier, a month earlier. And I think the answer's equally obvious. This was a shoddy attempt to pretend to the public that you couldn't provide funding until the bell-ringing motion was disposed of.

Mr. Minister, it was a shoddy game played out at the expense of some people who got hurt. I ask you, Mr. Minister, if you have a more charitable explanation for your behaviour over the last two months, would you give it to us.

**Hon. Mr. Lane:** — Well my charitable explanation is that in the normal practice, one-twelfth has traditionally been the amount that has been given, and that is correct, and as we get later in the session that has gone higher. So the fact is, the fact is if you hadn't gone on strike for 17 days, then we could have perhaps even been through the estimates by now. So don't . . . You want to get into the debate. I'm prepared to get into the debate, but I suggest to the hon. member . . .

**An Hon. Member:** — Well you're going to.

**Hon. Mr. Lane:** — He's shouting from his chair that, you're going to. Well that's certainly fair, but let me tell you that we could have been through estimates, and the hon. member knows that.

**Mr. Shillington:** — Mr. Minister, that is not the normal

practice, and if you don't know it, you should. In 1988 it was in the May interim supply that you provided 20 per cent of the Education budget — 16 per cent of a total budget, Mr. Minister, which was intended to cover off the kind of shortages which is what occurred.

If you could do it in 1988, Mr. Minister, why couldn't you do it in 1999? The answer is obvious. You didn't want to do it in 1999 . . . in 1989, because you felt you could get out from underneath a severe problem by claiming the opposition was holding up the funding. Will you admit now that that was simply a shoddy game played out at the expense of the school boards, the municipalities, and some other groups who could ill afford your cheap politics?

**Hon. Mr. Lane:** — Well as the public's made clear to you that they can't afford the walk-outs and the strikes either by members that they've elected, let me just tell you that in your last budget year, when you were government, your June 3 interim supply was one-twelfth. So let's not get into that debate.

So I'm suggesting to you that your own past practice had one-twelfth in the June payment under interim supply, and that's in the fiscal year 1980-1981, so don't give me that.

**Mr. Shillington:** — Oh, temper, temper, temper, Mr. Minister. Mr. Minister, in 1981 . . . I know this is beyond belief for people who now have to deal with the government, but in 1981 the budgets came down in the first or second week in March.

**Some Hon. Members:** Hear, hear!

**Mr. Shillington:** — And these problems had been long since dealt with. I say, Mr. Minister, in May you gave . . . last year, in 1988, in the interim supply in May of 1988 we got 16 per cent of the total budget, 20 per cent of the Education budget, intended to alleviate the kind of pressures which occurred this year.

You could have done it this year, but you were too cheap and too shoddy, and what you were attempting to do was to convince the public that the bell-ringing motion somehow had something to do with the fact that they weren't getting their funding from the provincial government. Will you admit, Mr. Minister, it was a shoddy, cheap game that should never have occurred?

**Hon. Mr. Lane:** — But I'm happy to see the hon. member and his language, which is getting the great attention to the public of this province, to continue.

Let me just tell the hon. member that in June of 1980-81 fiscal year, 1981, your budget, your budget, the NDP budget, you did one-twelfth in June — one-twelfth in June. Okay? One-twelfth. You had three-twelfths over a period of time before, so four-twelfths.

The estimates were finished . . . I don't know. When was the end of the session? Well all I'm saying to you . . .

**Mr. Chairman:** — Order. Order. Order. If members want to get into the debate and ask questions, they should rise

and be recognized rather than asking questions from their seat because it is not recorded.

I would ask members that want to get into the debate to rise, be recognized, and ask their questions when they're recognized.

**Hon. Mr. Lane:** — Thank you, Mr. Chairman. What I am saying to the hon. member is that in June, in June, when the pressures are there, you did one-twelfth. Okay? One-twelfth. So you know, if you want to take your argument to the extreme, you yourselves were guilty of putting the pressure onto them, if that's your argument. So you did one-twelfth.

**Mr. Shillington:** — I take it from that badly crippled excuse, Mr. Minister, that there was no reason why the funding couldn't have come out in May, and it should have. It's just pure and cheap politics.

Mr. Minister, we're going to return to this. Some of my colleagues will be returning to this, if not today, then tomorrow.

Mr. Minister, I want to address a more general comment to you, Mr. Minister. If there has been a single pattern to this session, it has been that the government has stumbled from catastrophe to disaster and back to catastrophe again. Mr. Minister, everyone has remarked upon it. I assume that you won't . . . that not even someone with your stomach will attempt to deny the disaster which has occurred during this session.

But a number of causes of it, but one of the main ones has been mismanagement and just very poor administration. Mr. Minister, the Provincial Auditor is going to have to start bringing out his annual report in several volumes if you don't do something about the problems with waste and mismanagement.

Mr. Minister, in many governments the Minister of Finance is seen as the minister who's responsible for the general administration of government, the Minister of Finance together with the Premier. I therefore, Mr. Minister, want to address some general questions to you with respect to the administration of this government. One of those general questions is one, Mr. Minister, which I am asked everywhere. The question is, why won't you show the Provincial Auditor the books? So let's start with that question. Why are you hiding from the Provincial Auditor the facts and the records and the books with respect to this government's administration?

**Hon. Mr. Lane:** — Well I understand that the matter is before the Public Accounts Committee, and the matter will be dealt with in public accounts in terms of bringing in the private sector auditors to advise the committee and the public as to whether their audits are adequate. I understand the *Leader-Post's* Mr. Petrie is of the view that it's not an audit if it's done by the private sector auditors. Obviously he does not understand, unfortunately, woefully, the practice.

I do believe that at the time of the debate, the public debate on the Provincial Auditor, that it was made clear that throughout the report that, in fact, information was

given. For example, I'm advised that in the potash corporation, although there was some concern expressed that information wasn't given, that the information was given in exactly the same way that it had been given since the potash corporation was established in, I believe, 1976, so that the past practice was followed. Now it's a fair question if the complaint is that the information was given to the auditors appointed for the corporation. If, of that fact that the private sector auditors have the information, and that is seen as not being information for another body, I think that's a matter of some debate, and I believe that that will be cleared up in the Public Accounts Committee.

But I do have some difficulty, and I know the accounting profession has some difficulty with the belief that because approximately 50 per cent of the audits are now being done by private sector auditors that there are, in fact, not audits being done.

And I am surprised, and I, like I say, I was pointedly critical of Mr. Petrie of the *Leader-Post* for not understanding that, and it's not an interpretation of the abilities of the accounting firms in this province that I have.

To say, as it is implied, that private sector auditors are not doing audits is wrong. It's wrong. It's just the process is all there is . . . The process is quite clear, as it will come out in public accounts that now that there are private sector auditors, as happened with the potash corporation from inception, that the practice has been for the Provincial Auditor to go to the Crown appointed auditors to get the information.

Some will say that's not accessed information because it's not correct; that's something that public accounts will have to deal with.

(2145)

But again, I have some difficulty in accepting the argument from anyone that because private sector auditors are now being used that an audit is not being done. And that's a rather damning attack on the audit profession and the accounting profession of this province. So I suggest to the hon. member that the information in all cases detailed, and the report was in fact given, was in fact given.

There is some concern by the Provincial Auditor that he has to now go through the appointed auditors. Maybe that process has to be looked at. Fair debate. I mean, I think that the former leader of the opposition and I had that debate when we announced and brought in the changes in the legislation. If I can use his name, with respect, Mr. Blakeney and I had that very debate.

As to the process . . . (inaudible interjection) . . . no, he did not raise that, he did not raise that. He did not raise that point. He raised, if you check the record, if you . . . (inaudible interjection) . . . no, he did not, he raised the question of the client. He raised the question of the client. He raised the question of the client. The process, he was quite prepared, as I was, to accept that the process could be worked out between the private sector auditors and

the Provincial Auditor.

So . . . (inaudible interjection) . . . no, no, that's precisely . . . The hon. member says we're not sharing the information. What I said, and I said very pointedly, that my understanding in all cases where there is a statement that the information was not made available, that in fact the information was made available and that the private sector auditor had that information. Okay?

So I will be the first to recognize that the process between the Provincial Auditor and the private sector auditors has to be resolved, because there is that difference, and that difference has been there since we announced that we were moving to private sector auditors. I do wonder, when the same process has been used since the time the potash corporation was started, that now that process is not adequate. Okay? No change in auditors, no change in process.

**An Hon. Member:** — Yes, there's been a big change.

**Hon. Mr. Lane:** — No, no. No, there was not. There was absolutely no change when it comes to the potash corporation. There's absolutely no change, absolutely no change.

And that's precisely what public accounts is going to deal with, precisely what public accounts is going to deal with. And that's the forum that I think that the hon. member will agree that it should be dealt with.

**An Hon. Member:** — No, right here.

**Hon. Mr. Lane:** — Oh, sure, ultimately it will be done right here, obviously.

**An Hon. Member:** — Not ultimately, now.

**Hon. Mr. Lane:** — Well okay, I mean, if you think we're going to resolve the process between how the Provincial Auditor is going to work with the private sector auditors in this forum, I am not saying it in any adversarial way, I just don't think that that's going to happen.

I think it is a proper function of the Public Accounts Committee to try and to see the relationship between the Provincial Auditor and the private sector auditor works in every other province in Canada — every other province in Canada.

I and the former leader of the opposition both were of the view that it can work here. I'll be the first to admit that it hasn't worked. I'll be the first to admit that it hasn't worked, but that doesn't mean that it can't work.

And to stand up and say that because someone is using a private sector auditor, that an audit isn't being done, that proper audits are not being done, is either a lack of understanding — and that's the most charitable interpretation one can put on it — of audits and their processes. But to say that audits are not being done, as certainly one reporter and I think others have alluded to, is simply not . . . (inaudible interjection) . . .

Well when someone stands up . . . The hon. member from

Regina Elphinstone says that, well the public doesn't have access to 50 per cent because they're now using private sector auditor.

**An Hon. Member:** — They won't share it.

**Hon. Mr. Lane:** — Oh, they're sharing it.

**An Hon. Member:** — No, they're not.

**Hon. Mr. Lane:** — Oh, they certainly are, in every case. In every case that is precisely . . . (inaudible interjection) . . . No, you don't understand. The problem is . . . (inaudible interjection) . . . Oh, here's what the . . .

**Mr. Chairman:** — Order, order. Order. Order. Order. Order. Order. Order. I've brought it to members' attention that if they want to ask questions, there's certainly lots of opportunity to ask questions of the minister.

I would prefer if they would rise and be recognized and ask the questions so they're on the record, rather than asking them from their seats.

**Hon. Mr. Lane:** — Thank you very much, Mr. Chairman. So what I have said, and when you say that the information is not there, that's not right. In all cases the information was given.

Now the question, does the Provincial Auditor go through and do a re-audit, do it directly, and get the information directly; or does he go through the appointed auditor to get that information? The Provincial Auditor feels he shouldn't have to go through the appointed auditor. Okay.

I raise the question with you, is that in the case of the potash corporation which had private sector auditors from day one, things seem to have worked out all right until all of a sudden this year. And there's been no change in auditors, no change in process, and the auditors have said that. So why can't it work in the other cases? And I raise the question.

I think it can work. It works in every other province. I have said, I know it's not working here. I think public accounts can try and find out why. I think public accounts will find out in all the cases that the information was there and was available. And I also believe that public accounts will find out that the audits by the private sector audits are highly qualified audits; that the audits being done by the private sector auditors have the potential, and perhaps in many cases are already bringing to the particular corporation not only the audit experience, but they bring, as they do to all other corporations, they bring in their consulting experience; they bring in their experience from dealing in the particular industry in many cases; they bring in their national experience, and all of those experiences are brought to the advantage of the particular corporation.

So when we stand up and say that the audits are not being done because we use private sector auditors is simply not accurate. There are tremendous advantages to the use of private sector auditors, not only to the corporations, not only to the corporations. And I have just given the

reasons. But I believe that the use of the private sector auditor for the Crown corporations is to the advantage of the people of this province as well, and I'll tell you why.

The hon. member says the use of private sector auditors cover up the tracks. I suggest to the hon. member that that is an absolute attack on the accounting profession of this province.

**An Hon. Member:** — Oh, come on.

**Hon. Mr. Lane:** — Yes it is, you bet it is, because I happen to believe . . . and I will bet that the Public Accounts Committee will not in any way, shape or form — with a minority opinion. And I don't believe that there will be a minority report from public accounts which condemns all of the private sector auditors, or even a particular firm, an accounting firm, because that will be your option. In public accounts you will have the ability, if you are prepared to say in this Assembly, if you are prepared to say in this Assembly that the private sector auditors are not doing their job; that a particular accounting firm in this province is not doing its job as audit, because you said, covering the tracks. You said the private sector auditors were covering the tracks. I say that is not true.

I suggest . . . I don't know why you're laughing. I don't know why you're laughing. I don't know why you're laughing when you sit and you've attacked the accounting profession — when you've said that the accounting profession is covering up tracks and is not doing proper audits, and that's what you've said. You're going to have to, in Public Accounts Committee, the New Democratic Party members are going to have to.

And this will be the proof, Mr. Chairman, this will be the proof of what they said about the Provincial Auditor's report. If the NDP opposition in its public accounts report, its minority report, or if it can prove for the majority that an audit was not done or was done improperly. And I bet and I will wager to the people of this province that the NDP will not say that in the public accounts report. I'll bet they will not say that. Okay.

**An Hon. Member:** — They voted against bringing them in.

**Hon. Mr. Lane:** — Yes, they didn't want the private sector auditors in before public accounts. I suggest to the hon. member . . .

**Mr. Chairman:** — Order, order. Order. Members on both sides of the House get an opportunity to get into the debate and ask questions any time they like, so I would ask them to ask their questions from their feet.

The committee reported progress.

The Assembly adjourned at 9:58 p.m.