

EVENING SITTING

ADJOURNED DEBATES

SECOND READINGS

The Assembly resumed the adjourned debate on the proposed motion by the Hon. Mr. Lane that **Bill No. 20 — An Act respecting the Reorganization of the Potash Corporation of Saskatchewan** be now read a second time.

Mr. Lyons: — Thank you very much, Mr. Speaker. Once again I want to express my appreciation for the opportunity to participate in this historic debate as to the future of the potash industry of Saskatchewan, and the importance that we know that that represents to all people here in the province of Saskatchewan.

Now, Mr. Speaker, prior to beginning my remarks on the economic evaluation that's performed by independent economists, in this case several economists associated with the Economic Council of Canada, and outlining the case that they put forward as to whether or not the performance of the Potash Corporation of Saskatchewan was a good performance relative to the private sector potash corporation or whether it was a bad performance relative to the private sector potash corporation on the one hand, and whether or not it formed a good investment for the people of Saskatchewan, which is the nub of the economic and political question that we face here tonight . . . Prior to getting into that, I want to deal with a little bit with some of the events of today that have taken place in regards to how the government sees this debate unfolding.

Now I'm referring, of course, to the attempt by the Progressive Conservative government to gag the opposition and to gag the people of Saskatchewan in their democratic right to put forward our opposition to the privatization, to the sell-off to the foreign potash corporations of the assets of the people of the province of Saskatchewan, and that is of the Potash Corporation of Saskatchewan.

We all know, Mr. Speaker, the members all are aware that today the government, by way of press release — not having the courage to announce it in the legislature, but by way of press release — have indicated they intend to try to bring to an end in an unprecedented manner through the creation of a special rule which does not even exist in the rule book of the province of Saskatchewan . . .

The Speaker: — Order, order. The question under discussion is not the motion that the member is referring to right now. We are debating Bill No. 20, An Act respecting the reorganization of the Potash Corporation of Saskatchewan.

Mr. Lyons: — Mr. Speaker, I am referring directly to Bill 20 and the government's refusal to allow the opposition, to allow the duly elected opposition in Saskatchewan to carry out its function by debating this Bill and allowing all members to speak in this House, to bring new information into debate such has been done for the last eight hours

that I've participated in this debate; and to gag the people of Saskatchewan who this government knows are opposed to the criminal sell-off of their assets, Mr. Speaker.

Let me say this, that this indeed, the production of this type of motion, is indeed a black day in Saskatchewan's history, and it is a direct result, Mr. Speaker, I would submit, of the kind of debate that the opposition has been able to carry on here in the legislature. It is clear, Mr. Speaker, it is clear that the points that we have been saying in this legislature are hitting home with the people of Saskatchewan and the people of Saskatchewan are obvious in their support for our opposition to this sell-off.

And I want to say this in closing, in dealing with this particular issue: the people of Saskatchewan are behind the opposition. The government knows it. So I think it's time that the people of Saskatchewan, through various and sundry means that they have at their disposal, deal directly with those government members who arrogantly sit there thinking that they're able to ram through this kind of gag order, this kind of super-closure, on the opposition in a manner which has never before been taken out in the history of the province of Saskatchewan.

It is up to the people of Saskatchewan to now speak if they want to save their potash corporation. If they want to show their support to the opposition, then they have got to be able to help us in our task of fighting to save the Potash Corporation of Saskatchewan and its assets for the future generations of the people of Saskatchewan.

And I am sure, Mr. Speaker, I am sure that after I deal with this economic analysis and the kind of comments made by reputed economists who deal with the Economic Council of Canada, who have done the evaluation of the potash corporation, that each and every person in Saskatchewan of a fair and honest nature will come forward and tell those government members precisely what they think of both this gag order and of this attempt to sell off the potash corporation.

Mr. Speaker, as I said earlier on, there are a number of methods of evaluating the performance of the Potash Corporation of Saskatchewan. We all know the standard method of dealing with those financial indicators that . . . develop a performance model in regards to ratios of profitability. I want to get into that because there's a number of ratios that deal with that in terms of the financial standard indicators.

But there are other methods that must be used, given the mandate of the Potash Corporation of Saskatchewan. And in doing this analysis . . . I want to refer to the analysis done in April, 1986 as a working paper for the Economic Council of Canada. The title of that analysis is: "The Potash Corporation of Saskatchewan, an Assessment of the Creation and Performance of a Crown Corporation," by Dr. Nancy Olewiler. It was done in April of 1986. The standard catalogue number, for the members who want to go to the library and perhaps acquaint themselves with the facts and figures available therein: ISSN .0225-8013, discussion paper no. 303.

Here we have one of the most reputable resource economists in Canada, someone associated with the Queen's University, Centre for Resource Studies, and who's done a number of works in regards to analyzing the potash corporation both over time and in regards to specific aspects of the potash corporation itself, who says the following in regards to the evaluation and the nature of the evaluation that she did.

Dr. Olewiler first points out that she's going to use the standard financial indicators of profit ratios. She also, however, does some other kinds of comparisons which are unique in terms of economic analysis in the potash industry of Saskatchewan, comparisons between mines operating in the province — and that is not only between mines but as between separate firms operating. She looks at the performance of the mines prior to their acquisition by the Potash Corporation of Saskatchewan, as well as after the acquisition of Saskatchewan. She looks at the question of whether or not government ownership of those mines changed in a dramatic fashion, as she terms it, whether or not those mines were operated differently. And lastly, because she makes the note that because the information, as she says, is proprietary, and that is that she's been able to obtain it under an oath of confidentiality, she can give some general indicators but not necessarily specific numbers in some instances. So with that qualification . . .

She also looks at the question of whether or not the Potash Corporation of Saskatchewan is pursuing a strategy, as she says, other than profit maximization. And here, Mr. Speaker, the issue is enjoined of whether or not there has been any evidence, any evidence of political interference in the operation of the Potash Corporation of Saskatchewan in terms of policy direction, in terms of policy direction, that would inhibit the performance of the corporation and result in a loss of potential benefits and revenue to the people of Saskatchewan. Because, as you know, Mr. Speaker, the government opposite, the members of the government opposite, have time and time again tried to make the case that private industry and the private potash industry is better able to run, the potash industry in Saskatchewan is better able to run it than the Potash Corporation of Saskatchewan.

And she deals in particular with some very specific, very specific policy directions and historical developments in the potash corporation. She takes on the question, for example, if there is any evidence to the fact that the Potash Corporation of Saskatchewan was following an employment strategy different — at least substantially different — of that from the private producers.

As you know, the government, as well as it should be by its mandate, may be more concerned with social objectives such as affirmative action programs in employment or may have a greater concern for environmental protection. Now I may say, Mr. Speaker, I may say that in dealing with those particular questions, if it was the case in the Potash Corporation of Saskatchewan, the Potash Corporation of Saskatchewan would not be unique in putting social objectives ahead of sole profit maximization.

Dr. Olewiler deals with the question of whether a

government firm may view its policies from a longer-term time frame than does the private sector, and she raises the question of this, whether this would show up in, for example, implicit use of a lower social discount rate against which to evaluate investment, research, development, and particularly the introduction of new processes and technologies that will benefit not only its own mines but that of the private producers as well.

Now there are, of course, other indications of behaviour in regards to the actions of various governments, it doesn't matter whatever political stripe, in terms of direction, policy direction that it gives to the potash corporation and has given to the Potash Corporation of Saskatchewan.

In those political influences, one only has to see the appointment of Paul Schoenhals and then the disappointment of Paul Schoenhals as the full-time and then part-time chairman of the Potash Corporation of Saskatchewan to see what political influences are available.

Now not only did Dr. Olewiler deal with it from a policy point of view and deal with it in terms of the question of the micro aspects of operating of the firm, whether or not the firm was operated, the Potash Corporation of Saskatchewan was operated efficiently as an enterprise. She asked the question, which is being asked here today and which is implicit in this debate around Bill 20, the Act to sell off the Potash Corporation of Saskatchewan. And that is the central issue. She addresses the central issue of whether or not the investment made by the Government of Saskatchewan in the mid-1970s was an economically rational one. She addresses that question directly. And I want to quote that, Mr. Speaker. Dr. Olewiler says, asks the question, that is:

Are the net benefits associated with the creation of the Potash Corporation of Saskatchewan positive?

(1915)

That is, that's the central question: are the net benefits by the creation of PCS positive? And, Mr. Speaker, listen to what she has to say. Here is one of the most prominent resource economists in Canada, one of the most respected in terms of original research work and the ability to develop the kind of econometric modelling and the development of that analysis. And this is what she says. She asks the question, "Are the net benefits . . . positive?" Dr. Olewiler says:

After evaluating all the available data, my tentative answer is yes.

My tentative answer is yes. Mr. Speaker, here we have a resource economist who has looked at all nooks and crannies of the operation of the Potash Corporation of Saskatchewan, asking the question whether or not the investment made by the Government of Saskatchewan in PCS was an economically rational one, and her conclusion was, as is our conclusion, Mr. Speaker, that yes, it was. It was an economically rational decision, based on all those factors of the economy which I had outlined earlier on, which led to both the creation of the

PCS, of the Potash Corporation of Saskatchewan.

But not only during its creation, and not only those factors which resulted in its creation, she, Dr. Olewiler, says that the benefits to the people of Saskatchewan have been positive — not negative, but positive. In other words, it was a good investment strictly from the point of view of economics, let alone anything else, Mr. Speaker.

Now, Mr. Speaker, Dr. Olewiler, as I had earlier made reference to in other papers including the working paper on oligopolistic practices in the potash industry, deals with a number of factors that she has identified as being key in reaching the analysis of the positive benefits to the industry in Saskatchewan. The investment in the potash corporation has been positive for the people.

I want to just take a little bit of time to run through what those indicators are. First of all, Dr. Olewiler begins with a series of ratios of profitability under three different headings. Those headings are: the return on equity — and she takes the years 1980 to 1984; years of both boom and bust for the Potash Corporation of Saskatchewan and develops a series of models to deal with those profitability ratios.

The return on equity, for those people who want to know what she's dealing with, is the ratio of net income to the equity, that is, to that share of the ownership that the people of Saskatchewan have in the Potash Corporation of Saskatchewan. She then deals with another set of ratios, which is the return on investment, and she uses that ratio of net income to equity plus long-term debt.

And thirdly, she deals with the profitability ratio on the relationship, on the return of assets, which is the ratio of net income to average total assets, which is the ratio of net income to average total assets, average total assets over time. And you know, because of inventory in the potash industry, some months the Potash Corporation of Saskatchewan is worth more than it is other months because it has a stockpile on hand that it counts in inventory as an asset.

And the figures, Mr. Speaker, that she used to derive these ratios, are all taken from the Potash Corporation of Saskatchewan annual reports in the years 1981 to 1984. The ratios give a rough idea of the return to investors, and the investors in this case being, of course, the people of Saskatchewan.

They are, as Dr. Olewiler points out, a measure of the potential benefits from the creation of the Potash Corporation of Saskatchewan. And as the table that I'm going to read out in a few minutes indicates, and as Dr. Olewiler points out, there was a steady downward trend in all the ratios between 1980 and 1983, which of course matched the starting, the tail-off of the downward price, but with a reversal in 1984. And this, of course, is hardly surprising as in 1981 the worst downturn in the history of the potash industry occurred since the late 1960s.

I want to take this opportunity now just to be able to read to you, Mr. Speaker, and to the other members of the Assembly, these profitability ratios for PCS. The return on equity between 1981 and 1984 — and again I remind you that the return on equity is the ratio of net income, that is

the money that comes in, the after-tax income, to put it another ways, and its relationship to the equity that is in. In 1980, the return on equity was 26.1 per cent, which is not a bad figure for any business, for any business whatsoever — 26.1 per cent. That was the return on the equity based on net income. That isn't on gross sales; that isn't on the total amount of money that came to PCS; that is the net income of the Potash Corporation of Saskatchewan compared to its total assets — 26.1 per cent in 1980.

In 1981, 19.4 per cent — 19.4 per cent. I tell you, not a bad kind of return on equity that any business anywhere in the world would be proud of having. In 1982, because of a number of factors, including the factor in regards to Canpotex, there was a return on equity of 0.09 per cent. In 1983, there was a return on equity — and this is . . . we're at the bottom of the downward price pressure for potash sales — there was a return on equity of 3.0 per cent. In 1984, we saw a return to the plus, the days of positive benefits, up to 3.7 per cent.

Not anywhere near as great as the days 1980, 1981 of course, but the interesting thing is, Mr. Speaker, of that particular profitability ratio, is that even during the darkest days in terms of potash prices, only one year out of the bottom of the cycle did you see a negative return on equity — in other words, that it wasn't worth it. Only one year out of those particular five years, which take in the worst years of the Potash Corporation of Saskatchewan in terms of pricing.

Similarly in return on investment, which most people can understand . . . You put your money in a bank and they pay you interest. You invest in that bank; basically, you get a return on your investment. Or you invest in Canada savings bonds and they pay you an interest rate. That interest rate that you get is your return on investment. Here the return on net investment is the ratio of net income to the equity plus the long-term debt, which is a reasonable and which is a well-respected parameter to deal with return on investment.

In 1980 the return on investment for the Potash Corporation of Saskatchewan was 22.4 per cent — 22.4 per cent. I could tell you this, Mr. Speaker. There is not a household in Saskatchewan with any kinds of savings or any kind of investment which would not jump at the chance to get a return of 22.4 per cent. In the case of the Potash Corporation of Saskatchewan, each and every man, woman, and child in this province got that return on investment in 1980 — 22.4 per cent.

In 1981, just as the downturn began to hit, you had a return of investment of 17.3 per cent — 17.3 per cent. Still a heck of a lot better than you get at the bank. And, Mr. Speaker, that's very interesting because speaker after speaker, not many because there haven't been that many from the government side, but I think, for example, the member for Melville who stands here pontificating that if would be better off to put your money in the bank and get a better rate of return . . . Well let me tell you, there are not too many banks in this province, or credit unions in this province, Mr. Speaker, that return 17.3 per cent return on investment. Let me tell you that, Mr. Speaker, not too many at all.

In 1982, again at the bottom of the price spiral, it was 0.07; in 1983, 1.8 negative. Again at the bottom, even then the return on the investment was only in the negative sense 1.8. In other words, that was the loss of 1.8 per cent. And you put that 1.8 per cent loss against the 1980 22.4, and it's obvious that the corporation was able to absorb, able to absorb that kind of price pounding that, as I earlier said, was absorbed between '81 and '83 by the Saskatchewan producers first and foremost of any producers anywhere in the world, and done so because of the economic policies of the Progressive Conservative government. But even that, despite the attempts of the Progressive Conservative government to hang PCS out to dry, even that when the prices are at the bottom, it still is only at minus 1.8 per cent. When things are good, way over the 20 per cent mark; when things are the worst, just a little less than 1 per cent bad.

Again, in 1984, as prices began to inch back up, what happened? Well the Potash Corporation of Saskatchewan had a 2.2 per cent return on its investment. This is after a deliberate attempt, a deliberate attempt to stifle the potash corporation's ability to sell to the offshore market, to develop the long-term contracts necessary to feed the expansion of the Lanigan mine, the phase 2 at Lanigan. Even that, the strength of the potash corporation, even in the worst days, shone through in 1984. Again, Mr. Speaker, it's no wonder that this respected resource economist and the Economic Council of Canada says that the investment by the people of Saskatchewan in the Potash Corporation of Saskatchewan was a positive benefit to the shareholders; that is each and every person in this province of Saskatchewan.

But there's another ratio of profitability that is dealt with here, Mr. Speaker. That is the return on assets. Now the return on assets is the ratio of net income to average total assets. Now what kind of performance did we see there? Once again, Mr. Speaker, the inherent strength of the potash corporation, because of its dominant role in the market-place, shines through once again, even in the darkest days of depressed potash prices. In 1980, the return on assets — this is the total investment, the return on the total assets — was 19.5 per cent, 19.5 per cent. Not bad. Basically if that tendency had continued for five years, you would have had complete asset debt-free potash corporation, long-term and short-term debt.

(1930)

In 1981, 14.7 per cent return on assets, and that's a far cry, Mr. Speaker, from the claims made by the members opposite who talk about a 2 per cent return on the assets — a 2 per cent return on the assets. You know, putting out that kind of, quite frankly, economic gibberish does not do anybody in this province a service whatsoever. To make up figures and try to peddle them does not do this debate any kind of justice whatsoever, given its importance for the people of this province.

In 1982, as I said earlier, 1980 return on assets, 19.5 per cent; '81, 14.7 per cent. Again we get to '82 and '83, the dark hours of the potash industry in terms of potash prices, the lowest prices since the '60s. Now once again the ability of the Potash Corporation of Saskatchewan to

withstand that kind of buffeting shows through — in 1982, 0.06 per cent. Not great but at least it's above the line; not great but at least it's above the line.

In 1983, not great but it's only a little below the line: 1.6 — minus 1.6. In 1984, once again we see the rebound in the prices and up goes the return to the Potash Corporation of Saskatchewan, a return of its assets.

As I said earlier, Mr. Speaker, these figures aren't my figures; these figures are the figures done by Dr. Olewiler, and are obtained by every . . . and are available to every person in Saskatchewan because they're drawn directly from the annual reports of the Potash Corporation of Saskatchewan.

Now, Mr. Speaker, if you take that four-year period . . . excuse me, that five-year period, and you add up and divide by five the average returns on equity, return on investment, return on the assets, you will quickly see that those who try to promote some kind of notion that the Potash Corporation of Saskatchewan was not a profitable venture, are either misleading the people of this province or haven't a clue about that which they speak.

Because it is evident, just looking at the very first, these preliminary financial indicators that the Potash Corporation of Saskatchewan was a positive economic benefit to the people of Saskatchewan. It was a success. It was a success and it is a success, and it's a success, Mr. Speaker, despite and because of, instead of, the best intentions — or I should say, the worst intentions — of the government to try to hobble the Potash Corporation of Saskatchewan in developing its aggressive market share out there in the international world market.

Now I want to deal with not only just those questions of profitability ratios, because that's one indicator and that's one set of indicators that shows that even during the worst days of the potash industry in Saskatchewan, the Potash Corporation of Saskatchewan was a good investment for the people of the province. There is a number of other factors that need to be looked at in terms of the standard financial indicators.

I want to deal with a problem . . . or the proposition that the Potash Corporation of Saskatchewan is merely a victim of the market and cannot in fact influence price. I want to deal with that. I want to deal with that in terms of the historical analysis of the potash prices for K₂O and take that in the context of the recession and the decline in the profitability ratios. To put it succinctly, the nominal potash prices rose '80-81, but ratios still fell, as you saw, between 1980 and 1981. And the explanation for that, I would submit, Mr. Speaker, is the following: that the . . . And here's where the thesis on regards to the mismanagement by the Conservative government of the potash industry begins to shine through.

On the one hand, between 1980 and 1981, the production from PCS fell slightly — that is, there was a decision made because of economic factors — from 4.479 million tonnes KCl to 4.371 million tonnes, while at the same time . . . The member from Assiniboia-Gravelbourg mentioned interest rates, so we're getting to this question of interest rates because this

is what we're dealing with — while the selling, distribution, and administrative costs rose.

Now the recession that hit the potash industry was beginning to take hold fairly severely by the third quarter of 1981, and one of the central reasons that that recession, if you like, was being felt and the manner in which it was being felt in Saskatchewan was precisely because of the interest rate, the cost-price squeeze that the industry found itself in in '80-81.

So despite the fact that prices rose, when you have a falling level of production and the cost-price squeeze introduced because of . . . whose major component is interest rates, there was a certain fall in the profitability; but once again up near the 20 per cent mark even with those nipping at its heels.

Even with those high interest rates produced by the policies of the central banks in Canada and the United States, even with those high interest rates, the Potash Corporation of Saskatchewan was still able to, despite soaring administration and selling costs, still able to produce profitability ratios in the order of 15 to 20 per cent, which is not too bad. I tell you right now, there are many, many businesses throughout Saskatchewan who wish that they were in the same type of trouble, that is, of having profitability ratios of 20 per cent. You would not find the exodus of people from this province that we presently are finding.

Now the increase in selling again was conjunctural. The increase in the costs of selling and those other associated costs were strictly conjunctural in the sense that, first of all, there was an expansion of the distribution network, particularly in regards to two items. One was the unit trains which have been purchased. And as we saw earlier on, unit trains form the cheapest, the lowest cost for the shipment of potash out of Saskatchewan mines, those combined with barges, and the construction of the warehouses in the United States of America.

So we had money that was being spent on extraordinary capital items, unit trains and warehouses, which affected the profitability ratios between the difference between 1980 and 1981. In other words, to put it this way, the profits for the potash corporation, if those things hadn't been bought, would have been, would have been higher even than the levels they achieved — even higher than the levels that they did achieve.

Also, another factor that entered into some uncertainty in the market was the announcement that PCS was withdrawing from Canpotex. And part of the selling expenses that I mentioned earlier, obviously, was intended for the creation of PCS International. That was the division, the offshore division that was to be responsible for the offshore sales — again an extraordinary item, an extraordinary item, a one-time cost, capitals cost in regards to setting up PCS International. Even when that's factored in, the strength of the Potash Corporation of Saskatchewan shines through, shines through in a manner which other private potash producers can't speak quite so highly of, Mr. Speaker.

There's some other associated costs that are worth

mentioning, and that is the costs that you spend today to get your product to market more cheaply in the future. Those are business decision costs. Those are . . . When you make a business decision, and you say, I'm going to spend today to ensure long-term profitability later, those costs are also factored into the equation and were felt in the years '80, '81, '82. But they fell again in 1983, the costs fell in 1983 when the brunt of the recession was felt, that is, those costs.

So I want to make a couple of points, and Dr. Olewiler draws our attention to the points about the '80-81 period. First of all, the Potash Corporation of Saskatchewan was basing its decisions on a continuation of strong sales for its products. When there was a market decision, management decision foresaw those strong sales. This conjecture was basically incorrect. And I think that history has, in fact, passed judgement on that, that the history since '81 to the present day has shown that the demand, particularly in those periods '81 to '83, was not there.

But what is interesting, despite the fact that the demand wasn't there, is that the Potash Corporation of Saskatchewan did increase its share of total sales in this period over the previous two-year period. In other words, it increased its share of the market '81-82 as opposed to '79-80, and it did so because of increased capacity.

Secondly, the decision to withdraw from Canpotex which led to the decisions to buy the unit trains and to develop the warehousing distribution market, and that was the capital expenditures that flowed from that decision, was seen as a policy, and I would say — despite what Mr. Eisler would say — and I would say in agreement with what Dr. Olewiler says, that it was seen as a long-run policy decision which would increase the market share for the Potash Corporation of Saskatchewan, that would see Canpotex act as the selling agency for the private potash producers, but would see PCS International acting as the arm for the publicly owned Potash Corporation of Saskatchewan.

Whether or not that was a good management decision I think is open to question, quite frankly, Mr. Speaker. And I'm not prepared to defend that decision one way or the other. But I am prepared to say that the present division of powers within Canpotex, where you have a corporation like the Potash Company of America, with less than 5 per cent of market share, dictating and having this equal say with a company like the Potash Corporation of Saskatchewan which has 40 per cent of market share, is not an equitable and reasonable arrangement. And I don't think any reasonable people would see that the PCA (Potash Company of America) tail should wag the PCS dog. In fact it's precisely for the opposite reason that PCS was established in the first place.

So whether or not it is better to have a single selling agency in Canada for potash sale, I think depends on what prominence is given within that single selling agency to the leading flagship producer, in this case PCS.

(1945)

And if, as was obviously the case with Canpotex, the

private companies were hobbling the ability of the public PCS to increase its market share, then based on that decision and based on the inflexibility, I would have to agree that the ability to set up PCS International was, within that set of circumstances that I outlined, the correct decision to make.

So even though I wasn't there and I don't think there were many members sitting in the House who were there, I think it's fairly reasonable to assume that if you own 40 per cent of a company you get 40 per cent of the votes in that company that you own. That just seems to me the way that ordinary real businesses operate and in terms of Canpotex, it seems to me that PCS, as a minimum, should have had 40 per cent of the say in terms of how the marketing strategies that were going to be pursued overseas were done and that were done. And for our point of view and from the point of view of the people of Saskatchewan, those marketing strategies should have been pursued in the interests of the people of Saskatchewan, those marketing strategies should have been pursued in the interests of the people of this province, not of the private potash producers, because despite the fact that it had 40 per cent of the market it only had one-seventh — one out of seven — of the shares, out of the actual, real say.

There was another factor, of course, being in that the hostility of the private potash producers to the publicly owned Potash Corporation of Saskatchewan was manifested, led to the creation of the potash corporation in the first place, and was carried on within the confines of Canpotex; that in fact that there was a deliberate policy, I would suggest, by the potash producers, by the private potash producers to keep PCS out of its earned market share.

Now the third factor in regards to offshore sales, and which would militate in the direction of having PCS International established, is of course the relationship between the Potash Corporation of Saskatchewan and the provincial government. And quite clearly, it is easier for one government to negotiate a contractual arrangement in regards to the sale of a commodity with another government than it is between a private firm trying to negotiate the sale of a commodity it's producing with another government. That's a political and economic fact of life, Mr. Speaker.

In other words, because of the ties of PCS, because PCS was seen . . . (inaudible interjection) . . . Mr. Speaker, the member from Regina South may want to go to Buffalo Narrows. He's quite welcome to do so. It certainly would raise the IQ of the Assembly if he were in fact to do that.

The Speaker: — Order, order. Personal attacks on individual members are not acceptable and are the type of thing that tends to cause confusion in the House.

Mr. Lyons: — Thank you very much, Mr. Speaker. Given the nature of tonight's debate, it was done solely in the interests of good fun and truth in reporting, so to say. Now . . .

The Speaker: — I'm going to have to once more call the member's attention to his remarks, and I think the best thing for the hon. member to do is simply to acknowledge, like he did the last time, that he didn't

mean it as a deliberate attempt to demean the individual, and then carry on with his remarks.

Mr. Lyons: — Thank you very much, Mr. Speaker. It certainly wasn't meant as a deliberate attempt to demean the member.

Now, Mr. Speaker, I think we just outlined some of the reasons for expenditures in those crucial years in which the profitability of PCS ratios fell, but let's deal with the year now in 1982 and the losses for 1983. Well they're . . . very simple, they're due to the recession and to low prices of potash. That's it in a nutshell. There's no other . . . and I don't think any other explanation is necessary. Everybody agrees that, yes, the Potash Corporation of Saskatchewan took a beating.

Now it just so happens that the United States potash producers didn't take the same beating, to the same extent, and the private companies here in Saskatchewan were affected but not necessarily in the same way, Mr. Speaker. But suffice it to say that the recession and low prices of potash spelt low levels of profitability for PCS.

But there was another factor. Besides the recession and low prices, there was another factor — and we're dealing with 1982, Mr. Speaker — and this is the question of the long-term debt because, as you know very well, another hand was at the helm of the Potash Corporation of Saskatchewan after the election of 1982. And after that other hand took the helm, that is the hand of the Premier of the province, the member from Estevan, one of the first . . . And I don't know why it is when every time they touch something debt rises. I don't know whether it's sort of alchemy in reverse, when you turn lead to gold and gold turns to lead, in the case of this government.

Long-term debt for the potash corporation increased substantially in 1982, rising from slightly over \$88 million in 1981 to \$221 million in 1982. This at a time when the high interest rates policy was in effect, and I say high relative to the previously acquired debt, and the interest rates were of 15 to 16 per cent, and were contained in two bearer bonds maturing in 1991 and 1989 respectively. The debt was incurred to finance the expansions at Lanigan and Rocanville. Now that's interesting to say, isn't it?

Here we have an increase in the long-term debt of the Potash Corporation of Saskatchewan that occurred in 1982, after a new government took over, to finance the expansions at Lanigan which the members of this government supported. Each and every chairperson of the Potash Corporation of Saskatchewan, appointed by the government, the present Progressive Conservative government, has said and openly said that they supported that expansion at Lanigan at an interest rate of 15 to 16 per cent.

Now, one could say that the corporation did not adequately forecast the economic downturn. One could say that, Mr. Speaker. And there may be an element of truth in that. On the other hand, with the expansions now in place, the Potash Corporation of Saskatchewan is in a fine position, is in a good position ready to pick up and to increase its market share as demand increases, and to

pick up market share based on a per unit cost, which is lower given that now, with capital costs much higher than they were in 1982-83, the corporation does not have to go out and borrow more money to increase capacity.

Part of the problem, of course, in dealing with whether or not it was a correct decision rests around that particular: is it better to invest early at lower costs and be able to produce at lower costs later on and carry over those costs associated with the increase in capacity, or do you wait until, as the private potash producers always seem to do, do you wait until demand is staring you in the face and you have to go out and borrow money at whatever the market will bear and try to play catch-up, and hence magnify the cyclical nature of the industry?

Again, here's the question: short-term profits may suffer, but long-term profits may be enhanced. This is not a hypothetical question because Dr. Olewiler has taken the time to deal with this question precisely vis-à-vis the Potash Corporation of Saskatchewan and to look at the profit figures with what was happening with the private sector producers.

Dr. Olewiler, in her analysis, was able to look at the profit margins, the ratio of net income to gross revenue of the Potash Corporation of Saskatchewan, with those of three private producers. I'm going to, in a minute, read the results of that production, that comparison.

Going back to 1979, the first full year of operation for all PCS mines, the table I'm going to reproduce here shows both the profit margins for potash corporation and the average profit margins for the three private producers. I will give you the results of that comparison and then read you the tables to prove the point.

It says, compare . . . And this is Dr. Olewiler speaking, Mr. Speaker. Here's Dr. Olewiler writing for the Economic Council of Canada:

Compared to the private producers, the Potash Corporation of Saskatchewan did quite well for the period 1979-1982. Indeed . . .

And this is what's most instructive, Mr. Speaker, because here's where the wheat gets separated from the chaff. Who in the hard times can make it? In the potash industry is it going to be PCS or is it going to be the private potash producers? Well let's look at what happened during the hard times.

According to Dr. Olewiler, if we look at the entire period, including the recession, the average profit margin for the Potash Corporation of Saskatchewan is 19.2 per cent, 19.2 per cent for PCS, while that for the private producers is 11.4 per cent. Here in the worst days of the economic recession, Mr. Speaker, 19.2 per cent profit margin for the Potash Corporation of Saskatchewan, 11.4 per cent for the privates. Who can outperform whom?

In the head-to-head comparison test, it's clear, Mr. Speaker, that the publicly owned Potash Corporation of Saskatchewan outperforms the private potash producers in this province any time, even during the time of recession. Even during the worst time, PCS still is superior

in economic performance.

That's not me speaking. That's Dr. Nancy Olewiler, Centre for Resource Economics, Queen's University, writing for the Economic Council of Canada. She's done the analysis. She says that it's a good investment for Saskatchewan. Perhaps the government should contact Dr. Olewiler for a rethinking of their disposing of the assets of the potash corporation to the private sectors.

The difference — and here Dr. Olewiler makes the point — the difference between the two sectors is how each fared in the recession. From the figures, the private producers appear to have taken their losses in '82 and were coming out of the depressed times by '83. As noted above, PCS had its worst year in '83, and there's a reason for that, and it's based on production figures and the share of total production and the per cent change year to year.

(2000)

Now what happened, to put it succinctly, is this. In the period of '81 to '83, there were greater cutbacks at PCS than at the private potash mines in the province. From 1981 to 1982, PCS cut production by about 34 per cent while the private sector potash producers cut production by around 23 per cent. From '82 to '83, both PCS and the private firms increased output, but the increase in PCS output was about 8 per cent. The increase was about 8 per cent while that of the private producers doubled by about 16 per cent.

Thus, PCS took deeper cuts in production and increased output more slowly than the three private firms. The effect was on the bottom line that it came out of the recession in a stronger position than did the private firms. Now the reasons for that are complex but can be reduced in generalities to the following. The Potash Corporation of Saskatchewan may have been trying to maintain the prices for the commodity during the downturn by absorbing the shortfalls in demand. But that was a strategy which could not be continued by 1983 and was evident to the potash corporation itself. But potash prices continued to fall from '82 to '83, but with a small increase in output. Because it increased its output, it was able to increase its revenue slightly over the 1982 level.

Okay. Basically what happened is that PCS went out and kept on producing potash, which cost less to produce because it was produced several years earlier, despite the fall-back in demand. Then when the price began to rise, it was in a position to sell cheaper potash, potash produced at lower unit costs than the private producer. This, however, was not enough to offset the higher operating costs and interest expenses due to the capital expenditures that were referred to earlier, and of course, the higher interest rates.

Perhaps, Mr. Speaker, that fairly significant difference in profitability between the private sector and PCS can be explained by way of management. I should like to think so.

One of the problems in dealing with this particular piece of data, I may want to point out, Mr. Speaker, is that, as Dr. Olewiler does, is that the three potash firms

represented here, the private potash firms, there's no way of knowing whether they're average. There's no way of knowing the bias unless all the potash firms and the profitabilities were taken in. The firms could very well have performed below average for the private sector; on the other hand, they could very well have performed above average for the private sector. So the actual ratio of profitability is an unknown quantity.

Even with that, however, it's important to note that at least for those three particular private producers, that they could not operate in hard times at the same levels of profitability that the Potash Corporation of Saskatchewan could operate.

Now just a word on some of the underlying methodology that's used here and the assumptions, and all of the indicators, particularly the profitability ratios indicated that I've talked about. Now first of all, net income is calculated by subtracting all the operating costs, depreciation, amortization, selling expenditures, interest payments, and taxes.

Here we get to this question of taxes once again. Earlier on I'd said that PCS does not pay any federal taxes. This may be one reason for its favourable profit margin for the periods when all the mines were earning profits. In other words, because PCS doesn't pay federal taxes, you can add those federal taxes to the bottom line, and that is particularly important in times of the economic downturn such as occurred during the '82, '81, '83 period. It's like having free money in the bank. You don't have to pay it out to the feds; you've got it in the corporation. You will lose it when you privatize the Potash Corporation of Saskatchewan — you will lose that difference.

Now that's the position where companies are operating more or less close to the line in terms of profit or loss. When that happens, of course, the amount of federal taxes payable decreases. That's in a recession, so you can expect that the margin of profitability for PCS because of the tax advantage will be smaller in times of recession than in the other times which are the boom times. In other words, when things are good, PCS will make more money, PCS will make more money and more of more money than the private sector companies do because of the tax regime. Obviously in the boom times, profits rise. The private sector companies will be forced to pay increased taxes, not at a rate which we would certainly support, but at least there is a certain amount of progression there.

So what happens is, of course, that the gap between the tax payable by the private sector versus the no tax payable by the Potash Corporation of Saskatchewan becomes larger and larger and so the profitability of the Crown corporation becomes greater and greater, and hence its ability to return benefits to the people of Saskatchewan.

Now taxes are important in another respect in regards to the Potash Corporation of Saskatchewan. As you know, PCS pays all the provincial taxes the same as everybody else. These taxes are deducted from revenues in calculating net income for the Potash Corporation of Saskatchewan as well as it is in any private sector potash firm. So this government ownership of PCS does not

change the total tax revenue collected through the provincial tax structure.

However, it could very well be that PCS has changed the actual rate at which taxes are collected for provincial tax structure. In fact, without PCS, the tax structure may very well have been a different matter, and I would suggest, Mr. Speaker, that that is probably the case. Because we have a publicly owned potash corporation, you have a different tax structure which would increase the amount of revenues to the people of Saskatchewan. And they will be able to do so because with PCS as a publicly owned firm, that puts the private companies in a different and quite frankly inferior bargaining position vis-à-vis the provincial government as it was the federal . . . or pardon me, not as regards the federal but at least as regards without having PCS here.

The whole question of rent and the ability of the Potash Corporation of Saskatchewan to supply mineral rent, if you like, to the province, i.e., revenues to the province in the forms of royalties and dividends, I want to deal with now.

Dr. Olewiler defines rent as the sum of provincial tax revenues plus the net income, and has developed a table that I will deal with in a few minutes in regards to what that means for the people of Saskatchewan based on the rents that have accrued to the people of Saskatchewan.

But before I do that I want to, as I said earlier, relay to you the information regarding the profitability.

Now in 1979, the profitability margin, because this we're talking . . . lead directly into the rents that were paid by the potash corporation to the people of Saskatchewan. In 1979, the PCS had a profit margin of 28.3 per cent; private producers had a profit margin of 18.5 per cent. In 1980, 42.7 per cent versus a profit margin of 20.8 per cent — not bad return, a profit margin of 4.27, not too bad at all. I'll bet you the minister from Regina South would like to have that in his business, a profit margin dealing with that.

In 1981, the profit margin of PCS, 36.9 per cent versus a profit margin in the private sector of 17.8 per cent. In 1982, 0.32 versus a negative figure for the private sector, 0.84; in '83, a negative 8.3 versus 7.2 in the private sector; and in '84, 9.1 versus 12.7. And that is directly linked to, and I'm not going to take the time of the House to do so, but it's directly linked to the production of potash, in the increase in the production of potash by PCS.

That profit margin, as I said, enters into the whole question of the collection of dividends and how much dividends and how much the economic conception of rent is going to accrue to the people of Saskatchewan. Because again in 1980, the PCS paid a dividend to the province's Crown investments corporation. The significant fact here, and that other members have mentioned before is, of course, that this dividend was paid, was established and begin to be paid, during PCS's worst year, which was 1983, despite the fact that we've seen that PCS suffered losses in 1983. The government had made a decision to pay those dividends.

But when these rents, if you like, are divided by the gross revenue from the corporation, and what Dr. Olewiler has called the rent margin — that is the total amount of money accruing to the people of Saskatchewan, the benefits for the Potash Corporation of Saskatchewan — looks particularly favourable. And we'll deal with that.

I know, Mr. Speaker, that it's hard to relate, it is hard to relate a table out there to get the kind of comparison that tables are set up for, but I think it's important that some of this be done. Let's deal with years, as we have been doing, 1980 to 1984. Or we'll go back to actually to 1979, which is more a typical year.

Tax revenue from the Potash Corporation of Saskatchewan, \$58.2 million, net income, \$77.9 million, for a total nominal of \$136 million — \$136 million coming to the people of Saskatchewan through tax revenue and because of the net income made by the profitability of the publicly owned Potash Corporation of Saskatchewan. One hundred and thirty-six million dollars in 1979.

In 1980, tax revenue was 89.5 million, net income, 167.4 million, for a nominal rent of \$256.9 million. Again \$200 million, \$256.9 million coming back to the people of Saskatchewan because of a publicly owned potash corporation.

In 1981, tax revenue of 70.7 million, net income, 141.7 million, for a nominal rent of \$212.49 million. In '82, 15.02 million, net income of \$607,000, for a total of 15.6 million. In '83, what we see is the rent from PCS, 12.6 in tax revenue, a minus 18.007 in net income — that's the loss — for a nominal rent of minus 5.39 million. And in '84, 17.6 in tax revenue, 25.34 in income, for a nominal rent of \$43.04 million, Mr. Speaker.

(2015)

But they aren't bad figures, which were not bad figures in terms of helping to supply the coffers of the province of Saskatchewan. It is no wonder Dr. Olewiler and the people at the Economic Council of Canada say that the government's investment in the Potash Corporation of Saskatchewan has proved to have been one of the positive benefits — not negative as the members opposite would try to suggest, but positive. In other words, it made money for the people of Saskatchewan and it was a good deal for the people of Saskatchewan. Those figures tend to prove it.

Even more telling, Mr. Speaker, are the figures that Dr. Olewiler developed in regards to the return on investment. Now here what the investment was, according to Dr. Olewiler, \$525.6 million in the Potash Corporation of Saskatchewan. That was the total investment. That's what the Economic Council of Canada says, not some \$1.1 billion, as the Arthur Anderson firm says, but the investment of the province, \$525.6 million.

Now this is why, Mr. Speaker, the heart, the nitty-gritty of why we don't want you folks to sell off the Potash Corporation of Saskatchewan. This is getting right down to it.

Because based on rent as a return on investment, and I want to deal with these two figures — one is nominal, that is the actual number of the year; and one is constant, based on a deflator — is that in 1978 it was 11.4 per cent, nominal, or 10.4 per cent in terms of constant dollars. In 1979, the return on the investment, 25.9 per cent versus 20.7 per cent in constant dollars. In 1980, Mr. Speaker, and this is a figure which astounds most people who look at the economic performance of the Potash Corporation of Saskatchewan, in 1980 the nominal return in rent on investment of 525.6 million in the Potash Corporation of Saskatchewan was 48.9 per cent — 48.9 per cent nominal, or in using constant dollars, 34.5 per cent.

Well I don't care which indices you use, whether it's the nominal, that is the dollars in the year of 1980, or using the constant dollars reduced to 1971 dollars, let me tell you any time you can get returns flowing back at the rate of 34 per cent or 48.9 per cent per annum, I say, and so does Dr. Olewiler, that it's a pretty darned good investment for the people of Saskatchewan.

In 1980, 48.9 per cent return on investment. Boy, don't tell me that that's a bad investment. In 1981, during the downturn, at the start of the downturn, 3 per cent return nominal, 1.8 per cent constant. In 1983, the only year since the creation of the Potash Corporation of Saskatchewan in which there was a loss, you had a nominal rate of return of minus 1 per cent. In other words, it almost broke even, and in constant dollars, one-half a per cent, one-half a per cent, Mr. Speaker. In 1984, once again the prices began to inch up, an 8.2 per cent return on investment.

Now, Mr. Speaker, look at those numbers: 11.4, 25.9, 48.9, 40.4. That's the kind of return on investment, Mr. Speaker, that any company in North America, let alone any company in the world, would be proud of, let me tell you. So it's no wonder that the foreign potash companies are dying and are itching to get their hands on our Potash Corporation of Saskatchewan. And it's absolutely no wonder that this government, which is nothing more than a mouthpiece for those foreign potash corporations, are willing to turn them off, turn over the potash corporation which has returns of investment of 48.9 per cent.

Mr. Speaker, that's a crime; that is a crime what this government is intending to do — to sell out the assets of Saskatchewan, assets which return up to 48 and 49 per cent on investment, to turn it over to the foreign potash corporations. You know, Mr. Speaker, it does not make any kind of sense at all.

Now the members opposite, Mr. Speaker, like to make a big to-do about the long-term investments based on both the initial investment as well as subsequent capital expenditures. But Dr. Olewiler deals with that particular subject, and she deals with it in terms of net income, both before depreciation and after depreciation; rent, rent as we had earlier defined as being the net income plus the tax revenue before depreciation and after depreciation; and the total value of the capital before depreciation and after depreciation.

Just let me read you a little bit. I'll deal with not even the net income, but I'll deal with the figures for the tax

revenue plus the net income. In '79, 24.3 per cent for both before and after depreciation. In 1980, 31.9 per cent before depreciation and 40.8 per cent after depreciation — not a bad return on initial investment, plus subsequent capital expenditures — not a bad return.

In '81, 24.9 before depreciation, 26.8 after depreciation; '82, because again of the recession, 1.6, 1.6; '83, a half of a per cent and a half a per cent minus before and after depreciation. In '84, once again in the positive, 3.8 per cent return on initial investment plus subsequent capital expenditures.

What this does, of course, Mr. Speaker, was increase the value of the potash corporation to the people of Saskatchewan, increase the asset base by which the province had the ability to go out and borrow money or to develop and generate income, or a combination of both.

So what happened is that the total value of the capital in terms of expenditures, in '79 it was \$560.2 million both before and after depreciation. In '80, it was 657.2 million before and 629.6 after; 852 in 1981, 852.0 per cent before depreciation, 793.9 after depreciation; 1982, the value of all capital invested in the Potash Corporation of Saskatchewan had risen to 992.5 before depreciation and 970.2 after depreciation. In 1983, the value of the potash corporation in terms of capital investment rose to 1.101 billion before depreciation, 1.44 billion after depreciation. In '84, 1.215 billion before depreciation, 1.1209 billion after depreciation.

Now, Mr. Speaker, all those, by the way, are done in current dollars, the current dollars as based on the 1986 deflator that Dr. Olewiler used and which I'd explained somewhat earlier on in my speech.

What this table shows, Mr. Speaker, is this, is that not only did the people of Saskatchewan get a good return on their investment of percentages in the 20s and 30s and 40 per cent, not only did they get that good return on their investment, they were able to increase their capital assets from \$560 million in 1979 to \$1.1 billion in 1984. Of course, Mr. Speaker, that means like anybody who owns a house, if you spend money to pay for your house and you make improvements on your house, you make capital investments in your house, and not only are you increasing the amount of money you put in the house, but of course you increase the value of that house. And that's what has happened, Mr. Speaker, in the house of potash.

Now I want to deal very directly, Mr. Speaker, with the question in a very direct way that the members raised, on whether it would have been better to put our money in the potash industry of Saskatchewan or put our money in a bank, because Dr. Olewiler deals with that question very directly. The returns that I referred to in terms of the returns from the potash corporation, the table that I just read out, that is the returns based on investment on net income and rent in both nominal and deflated dollars. Let's just examine whether or not it was a good investment to invest money in the Potash Corporation of Saskatchewan or to put money in a bank or credit union.

Here's what Dr. N. Olewiler of the Economic Council of Canada has to say:

For the period 1978 to 1981, PCS looks like a very good investment ('78 to '81). It is hard to imagine.

These are her words, not mine, and this is what she says:

It is hard to imagine an investment that would have yielded an after-tax return to the residents of Saskatchewan of 21, 34, and 26 per cent.

Indeed it is hard. Those are the figures that are adjusted for inflation. This is what this economist says:

It is hard to imagine investment that would have yielded an after-tax return to the residents of Saskatchewan of 21, 34, and 26 per cent adjusted for inflation.

Well there certainly has been no credit union or bank in the province of Saskatchewan between 1978 and 1981 in which one would have gotten that kind of rate of return. There are very few businesses in the province of Saskatchewan that, if one were to invest their money in, where they would have gotten that particular rate of return.

So the period of '78 to '81 . . . And those members say it would have been better to put your money in the bank. That is patently not true, that particular period of time. However, Mr. Speaker, however, that is not necessarily the case for the next period. In fact, here's what Dr. Olewiler says:

For the periods 1982-1983, (now listen very carefully to this, members, for the period '82 to '83) Saskatchewan residents would have been better off with their money in a savings account.

The two year period, '82-83 — only that two year period, not for the whole period, certainly not for '78 to '81, but for '82 to '83.

Now, Mr. Speaker, even though, and even though that if I were to be partisan I suppose I could have left that particular quote out, I think it's fair to point out to the people of Saskatchewan that in the years '82 to '83, it would have been better to have invested the money in a bank than in the Potash Corporation of Saskatchewan, but that's in a very brief two-year period. Nineteen eighty-four, of course, showed a modest return on investment.

(2030)

Now, however, Mr. Speaker, as all people who deal in investments know, you don't judge returns on investment by one-year periods or two-year periods if you intend to make money in the long run. And this is what Dr. Olewiler says to the argument put forward by the members of the Progressive Conservative Party that would have been better to invest, put the money in a savings account. This is what she says, she says:

Over the entire period, 1978 to 1984, PCS looks on average to have been an excellent investment;

not a mediocre investment, not something that may have been a good idea or may not have been a good idea, but an excellent investment, an excellent investment for the people of Saskatchewan.

That, Mr. Speaker, that is the real story on whether or not Saskatchewan would have been better off to invest in the Potash Corporation of Saskatchewan or to have put its money in a savings bank. It is clear from the figures that this respected economist has put forward that the argument that we're making, that it would have been better off to invest in the Potash Corporation of Saskatchewan, is in fact that argument which is the closest to the truth. And there is no doubt about that in my mind or in the mind of any reputable economist, Mr. Speaker.

Now that was based on rates of return, the financial indicators as done over the standard financial practices of any corporation. But Dr. Olewiler deals with whether or not it's a good investment to invest in the potash industry in Saskatchewan in a couple of other ways. She deals with it in terms of the adjusted capital stock, what she calls the adjusted capital stock, which was the initial investment plus additional capital expenditures for the period '79-84. And here's what she says about that particular table which I read out earlier:

The rate of return is shown both before and after the depreciation shown in each year's annual report. (These are the figures that are drawn from the annual report of the Potash Corporation of Saskatchewan.) As is not surprising, the returns are reduced somewhat, but not substantially. It still appears, using the capital stock standard financial indicator, that PCS was a good investment.

Mr. Speaker, we're dealing here with the potash corporation, the PCS rate of return, not those of the private sector in that regard. Let me just say that, that in a recession as occurred '81 to '83, every potash producer in Saskatchewan, the private sector as well as the Potash Corporation of Saskatchewan, took a beating.

The point that Dr. Olewiler is making is anybody that's got any kind of sensible business — and let me tell you, after seeing the economic decisions being made by this government, it's obvious that none of the members of the Progressive Conservative Party, although they claim to be the best business brains of their party ...

Let me just say this: when you have a corporation which performs better than other corporations in the good times and performs better than the other corporations in the bad times, is able to increase its asset value, is able to adjust its debt/equity ratios in a favourable way, is able to operate in a long-term sense with a sense of long-term planning, that produces better than your competitor, it seems to me that anybody with any kind of business sense whatsoever would not be in favour of disposing of that corporation if they owned a piece of it.

Because quite frankly, Mr. Speaker, they don't know. These great business minds which have led Saskatchewan into the dark morass through the kind of

debt-ridden nightmare economically that we find facing the citizens of this province, are once again about to embark on another incredibly journey. They're about to embark on another incredible economic total miscalculation. I don't want to be overly excitable about it, but there is absolutely no, no, no economic sense to what they're doing — absolutely none, Mr. Speaker.

It's not just a question of me saying that for political advantage. If I was doing it for political advantage, I would say that in '82-83 it would have been better off to put the money in the bank. That's what Dr. Olewiler says for those two years. If it was just straight political advantage, I would have admitted that and hope you guys wouldn't catch it out, but I didn't. Because in terms of dealing with an economic analysis, you've got to face all the cold, hard facts of the bottom line.

And the cold, hard facts of the bottom line are this: that the Potash Corporation of Saskatchewan has been an excellent investment, not just by what we say, Mr. Speaker, but by reputable economists like Dr. Nancy Olewiler, from the Centre for Resource Studies. That's what she says. That's what Dr. Frank Flatters says. That's what people from the Economic Council of Canada, in their analysis, say the exact same thing, that it's an excellent investment.

It has been an excellent investment, and it will continue to be an excellent investment for the people of Saskatchewan, all the people of Saskatchewan, not the select few with the wealth to buy out the shares or to flip the shares over to the foreign potash corporation and the foreign governments who eventually will end up owning the Potash Corporation of Saskatchewan, if it's privatized and if the New Democratic Party does not form the next government after the next election.

An Hon. Member: — You won't.

Mr. Lyons: — But we will.

Mr. Speaker, if what the people are telling us, if what they're saying is the kind of thing that we stand for, and it is, we are going to be there retaking the assets of the people of Saskatchewan for the people of Saskatchewan so that once again all the people of Saskatchewan, regardless of their economic situation, reap the benefits of the potash industry here in Saskatchewan.

Some Hon. Members: Hear, hear!

Mr. Lyons: — Now, Mr. Speaker, the table that I read out regarding initial investments in the Potash Corporation of Saskatchewan deals with the question: is the present value of investment greater than zero? In other words, has there been capital appreciation? Has there been asset growth? Has the wealth of the province increased because of the investment in the Potash Corporation of Saskatchewan?

Well Dr. Olewiler has dealt with that question, has applied discount rates of 5 and 10 per cent — the former, the 5 per cent, representing the social discount rate in terms of those kind of expenditures, and the latter, basically, the private discount rate.

At 5 per cent, the present value of 535.6 million is about negative 20 million by the end of 1984. At 10 per cent, the present value is negative 75 million — this again is in 1974. And those figures were calculated, those value figures were calculated using the figures for potash rent, not net income. If '85 is a reasonably good year, as it was, let's say rents of \$50 million, which they were, the present value would exceed zero. In other words, there was capital growth.

What happened in terms — in laymen's language — is this, is that at a discount rate of 5 per cent — in other words, you take what capital you invest and you discount it by a factor of 5 per cent based on if you may have done other things with it that would have produced or returned 5 per cent greater — based on this standard financial indicator, Dr. Olewiler in 1986 predicted that the PCS investment will generate a positive present value after eight years. In other words, here we have a noted resource economist saying that in eight years the Potash Corporation of Saskatchewan is going to be off scot-free.

Now it didn't turn out that way, Mr. Speaker. It didn't turn out that way, and the reason it didn't turn out that way was because the present government decided to take unto the province of Saskatchewan a debt of some 600-and-some million dollars, which would have been absorbed by the corporation over its lifetime.

That was an economic decision that the government made, an economic decision to add \$600 million of debt at least on to the book figures, not in real terms, but at least on to the book figures, to try to present the economic performance of the potash Corporation of Saskatchewan in the worst possible light. That can be the only explanation for that government decision to add that debt on to . . . or at least to add that book debt on to the books of some 600-and-some million dollars.

Even though, Mr. Speaker, even then you see in this year alone a positive return of \$206 million. That's for net income. Then you have to add the taxes on to that; you find that there's substantially more. And the return to the people of the province has been a positive return, as Dr. Olewiler has noted.

The reason of course, is very simple: while you take short-term debt, you may take short-term pain for long-term gain, even though the pain has been pretty sweet when you get the kinds of rate of return that come back to the people of Saskatchewan, rates of return at 48 per cent based on net income as a method of initial investment, as a ratio of initial investment. That kind of rate of return is pretty sweet pain to be able to take.

Even then, you make the initial investment because you know that despite the initial investment and the costs of that initial investment over the long run, you have an asset which will produce value and produce wealth for the people of Saskatchewan well beyond any book value and book depreciated value.

It was interesting, Mr. Speaker, that in the report, the abridged report that Arthur Anderson did that was released by the Tory front group, the institute for free

enterprise or whatever it's called, with Dr. Lloyd Barber and all those boys at the helm, Gunnar Pedersen and good friend, Roger Phillips, that great man from Ipsco who's got the steel industry in Saskatchewan in such a mess . . . All those great free enterprisers abridge the report.

What they didn't say in the report and what they wouldn't release, but what Arthur Anderson did do was in fact take into account the asset life of the corporation and project forward from the debt structure which presently exists and said that that would have ended up in a positive value based on the asset base which exists in the corporation.

In other words, Mr. Speaker, this: the Potash Corporation of Saskatchewan, every tonne it produced as every year goes by, the cost of production decrease in real terms, because the mines are already there, the machinery is already bought, the infrastructure is in place, and the per unit cost of production goes down which increases, on the one hand, the value of the ore that's in the ground, but secondly, also gives you a direct increase in the rate of return because of the profitability margin that's increased precisely because of those factors.

It's very interesting that our friends in the institute for Saskatchewan free enterprise didn't include that portion of the Arthur Anderson report, because it would have given even more — given even more — an end to the Tory myth that somehow the Potash Corporation of Saskatchewan has cost the people of Saskatchewan money. And it's just not true, it's just not so.

(2045)

The real state of affairs is as Dr. Olewiler points out, that each PCS mine, and I'll quote her here:

. . . would have to be fully examined separately to see when the mine and mill assets will be fully depreciated. None of the mines will hit the 20-year point until 1988 at the earliest.

Now listen to this, Mr. Speaker. This is Dr. Olewiler speaking:

Thus it appears that, even with the poor performances in '82-'83 when it would have been better to put your money in the bank (those two years), the present value of the initial investment in the Potash Corporation of Saskatchewan mines will be positive.

In other words, that's economist terms for saying, in terms of benefit cost analysis, that it's a good investment for the Government of Saskatchewan to have invested in the Potash Corporation of Saskatchewan, Mr. Speaker.

Some Hon. Members: Hear, hear!

Mr. Lyons: — Not what the Tories say but what the economists say. That's what the people of Saskatchewan listen to, that's what they believe, Mr. Speaker. The people of Saskatchewan believe that, and that's why the people of Saskatchewan do not support this government's attempts to sell the Potash Corporation of Saskatchewan

out to foreign investors.

Now Dr. Olewiler also goes on to say:

In addition, the demonstrated reserves of potash in these mines range from a low of 219 million tonnes of ore, about 57 million tonnes of K₂O to 653 million tonnes of ore, 141 million tonnes of K₂O.

Capacity. Now that's part of the investment, that's the ore in the mine. That's like money — that's like having money in the bank except the bank isn't above the ground, the bank is below the ground. And as potash prices rise, the value of that money in that bank rises also. And as the developing companies more and more turn to intensive agriculture, the value of that asset increases. That's why, that's why over the long haul the Potash Corporation of Saskatchewan is not just a potash mine, but in fact is a gold mine for the people of Saskatchewan in terms of providing revenue and generating the kind of money needed to carry on the social programs that we all want to see.

Now capacity at any of the PCS mines, Mr. Speaker, is basically currently less than 1.5 million tonnes of K₂O per year, and there hasn't been a time in recent history when PCS has been operating at full capacity. It will therefore take a considerable number of years to deplete these mines. Well when you've got a capacity of 141 million tonnes and you're producing at less than 1.5 million tonnes, it's going to take close to 100 years to deplete the capacity.

And here's again Dr. Olewiler's assessment of the investment in the potash corporation:

Based on those criteria . . .

That is based on the inventory that will be available for mining and the increasing lower cost of the inventory in terms of production costs in real terms, versus the increase in value that the inventory will take just through inflation if nothing else, but I also suspect through increases in prices.

Based on those criteria, the investment again . . . (This is Dr. Olewiler, and this is what she says) . . . investment again appears to be reasonable based on economic criteria.

Now that's not the only . . . This is basically the seventh set of standard financial indicators used by Dr. Olewiler in evaluating the performance of the Potash Corporation of Saskatchewan. And perhaps when Dr Dale Eisler reads this paper, he will be writing a column which is more reflective of the reality of what economists are thinking, because the average cost regression analysis, which is a mathematical method of determining relationships between production as between various mines and the real average costs of operating the mine and mill at each output level, to sum up the results of that financial . . . pardon me, the results of that method of analysis, the following became clear. Just excuse me for a second, I've got to try to take the lozenge to keep my throat going for the next little while tonight.

Okay. Just wanted to go back . . . The data in regards to the cost of production of each individual mine was analyzed by Dr. Olewiler to see whether or not there were problems in terms of the internal operations of the Potash Corporation of Saskatchewan. And she did a series of cost regressions for the PCS mines looking at the relationship between production at each mine and the real average costs of operating the mine and mill at various output levels.

Now what was the analysis for that? At Allan in 1979, output was 396,000 tonnes K₂O average costs were \$23.50 in '79; Cory, the output was 553,000 tonnes, average cost of \$11.60 per tonne K₂O; Rocanville, 601,000 tons K₂O, \$11.40 per ton; Lanigan, 351,000, average cost, 28.34. That was 1979; that was the real cost structure.

Remember we some time ago had dealt with one of the factors that led to the creation of PCS in the first place, was the ability to set up and operate a mine at a comparative advantage relative to the Americans and other international producers. Well Dr. Olewiler has in fact dealt with . . .

The Deputy Speaker: — Order. Why is the member on his feet?

Mr. Anguish: — Mr. Speaker, I'd like to ask leave of the Assembly to introduce someone in the gallery.

Leave granted.

INTRODUCTION OF GUESTS

Mr. Anguish: — Mr. Speaker, I'd like to welcome an individual to the gallery tonight, a small-business person in Saskatchewan who's interested in seeing what's happening in the Legislative Assembly, particularly in this debate, the debate on Bill 20 to change the potash corporation from public ownership to private ownership, and this individual has come here as an interested business person. And I'd like all members to join me here this evening in welcoming this individual to the gallery. Thank you very much, Mr. Speaker.

Hon. Members: — Hear, hear!

ADJOURNED DEBATES

SECOND READINGS

Bill No. 20 (continued)

Mr. Lyons: — Thank you very much, Mr. Speaker. I too would like to add my words of welcome to this individual from the business community as well as any other individual from the business community here in Saskatchewan to certainly be interested and should be interested, as I will at a future date in this debate show the potential effect the privatization of the potash industry will have on the business community.

Anyway, as I was saying, Mr. Speaker, we're dealing with the output and real predicted costs of the Potash

Corporation of Saskatchewan mines. In 1980 at Allan, the output dropped a bit to 359,000 tonnes with an average cost of \$24.40; and in Cory, it was 589,000 with an average output cost of \$10.60; Rocanville, 666,000, 10.40; and Lanigan, 490,000 with 22.63.

I'm not going to go read the whole table, Mr. Speaker, and the reason being is that I'd read those particular figures is that you can see that for each of the mines, there is a relative range of the cost of output per tonne of potash. And in the case of Allan, for example, it ranged from 22.60 in 1981 to 27.80 in 1983; at Cory, it went from 11.60 in '79 to 19.50 in '82; Rocanville, \$10.40 in 1980 to 13.20 in 1982.

And you can see that Rocanville is the lowest-cost mine for the Potash Corporation of Saskatchewan in terms of per unit cost of output. And when you take that particular average cost of output and compare it with the prices earlier, for example, the cost of output of production of between 50 and \$55 a tonne for K₂O is our greatest competitor, which is the Soviet Union, you can see very well the whole nature of the competitive advantage that we enjoy in the potash industry.

Well what does that say about whether or not the investment in the potash corporation was good? Well first of all, we know very well that we've got the lowest-cost mines anywhere in the world. For that matter alone, investment in any industry that produces a commodity which is wanted and which there is demand on a world scale, one would tend to invest in that industry which has the lowest cost of output. That's just a natural, normal, and rational business type decision that you would make.

But Dr. Olewiler makes the following point: that first of all, it was difficult to address the question of whether or not PCS allocated production efficiently among the mines that it operated. Now this is we're dealing with some of the micro-economics that affect any business decision, whether a firm is operated efficiently or not.

Part of that was just because of the problem of cost comparison in the U-shaped curves that were done in the econometric modelling. Theoretically, in the real world all mines should be operated in the range of average minimum costs, and in terms of developing the individual mines it's a question, of course, of what was the average minimum cost for each of the mines. And as well, just every industry, every potash producer is faced with the same problem that when you close down a mine it's incredibly costly to start up, first of all because of the question of seepage of water and so on and so forth. So it's not practical for any mine to operate at the minimum cost, at the minimum cost basis, because when you factor in the cost of shut-down and start-up, particularly if there's mine damage that has to be taken into account, then obviously the minimum cost is a figure which becomes operating in the theoretical level as opposed to the real life level of business.

But given the history of the potash industry in Saskatchewan, particularly as it relates to the period '79 to '81, and based on the production figures, some of which I've just read to you, it's clear that the Potash Corporation of Saskatchewan's organized production

and output to achieve a kind of relative constant average cost for each mine. That is, internally within each mine there was not a wide variation in the cost of production and in the cost of output figures, which would seem to suggest that for each mine one could say that the mine was probably run as efficiently as any mine could be within the economic circumstances that all potash producers face.

Or to put it another way, Mr. Speaker, that while it is probably impossible qualitatively to draw a conclusion as to whether or not the PCS operates any more efficiently or any less efficiently than any of the private potash producers, suffice it to say that, in terms of each mine analysis, it is clear that every mine owned by PCS, taken individually, operates at or near the optimum efficiency level for the industry.

(2100)

Now this, of course, relates to as a function of output; in other words, the lower the level of production of any mine, the higher the per unit cost based on the cost, for example, of running the mining machines and running the hoist up and keeping the mill in operation and all those kind of things. It's obvious that the per unit cost increases. But at some point in time, like any industry, like, for example, a power plant or any business at all, there's an optimum output level. And for the case of the Saskatchewan potash industry and particularly in the case of PCS, the more intensive that the mines are operated, the . . . Each and every set of mine should be run at a complex series of factors that determine what constitutes the optimum intensity for output. In other words, the output mix among the PCS mine is a pretty complex factor, and the assessment of cost efficiency requires, according to Dr. Olewiler and her analysis, some further analysis.

But in summary, in regards to the evaluation of the economic performance of the PCS, of the Potash Corporation of Saskatchewan, the following can be deduced: first of all is that PCS did very well financially from its creation until 1982.

This isn't me saying this; this is Dr. Nancy Olewiler. That's right, Dr. Olewiler. The minister for privatization recognizes the voice of authority when he hears it. This is Dr. Nancy Olewiler, respected resource economist, who says, "PCS did very well financially from its creation until 1982." Now I'm going to blame what happened after '82 entirely on the Progressive Conservative government. Most of it I'll blame it on them, but obviously, to be fair, there were the other economic factors, quite frankly, Mr. Speaker, that I've obviously outlined before.

This is what Dr. Olewiler says:

The Potash Corporation of Saskatchewan has added large sums to provincial revenues well beyond (now listen to this, well beyond) what the mines PCS purchased would have generated through provincial taxes if they had remained in the provincial sector.

And that was in the comparison table that I read out:

income plus net rent, which is taxes plus net income equals nominal rent and real rent.

Mr. Speaker, the argument that the members put forward that you can generate revenue equal to that of owning the mine does not hold water. It just doesn't hold water. Once again, this is Dr. Olewiler saying that; this is Dr. Olewiler, the resources economist saying this, not myself.

Now between 1982 and '83, there were not good years for the potash corporation but neither were they good years for any corporation, potash producer, private or public, in the province of Saskatchewan. In fact, they weren't good for any producer in Canada; and I may dare say so, while not as devastated, they certainly weren't good for the potash industry on an international basis.

Now the question ultimately revolves — and this is a question recognized by Dr. Olewiler — the question ultimately revolves around the point that I tried to raise earlier in the context of market strategy, and that is: what will be the future of the PCS? Well in 1984 in the annual report, the president of the company, the president of PCS felt the corner had been turned and that the company, having returned to profitability in '84, would continue and improve in '85. Of course there are always uncertainties. The question of '86 and what happened, that's a matter of history now, the question of '87.

What we have seen, however, Mr. Speaker, is that despite the best mismanagement that money can buy, operated by Paul Schoenhals and the PC government in terms of the policies for the Potash Corporation of Saskatchewan, that even with those policies in place, the Potash Corporation of Saskatchewan has turned the corner, did turn the corner, and in this year, in the last year, pardon me, 1988, produced a profit of \$106 million.

Now as earlier mentioned, standard financial indicators are not necessarily the only indicators that you have to look at in dealing with the performance of the Potash Corporation of Saskatchewan. A government enterprise may have objectives other than strict profit maximization. According to Dr. Olewiler, while it's difficult to assess the area unless you have fairly detailed day-to-day eye on the actual running of the corporation, that the social and environmental and other objectives that enter into a mandate of the potash corporation are difficult to assess. But that given, as Dr. Olewiler says, when you look at the PCS annual reports, these areas in fact have been seen as a legitimate part of the operation of the Potash Corporation of Saskatchewan to the benefit of Saskatchewan citizens both economically, in terms of the kind of employment structure that is provided, but also, more importantly, in terms of the stability it's provided to rural communities throughout the province. And as I said earlier, I'm going to get into the question of the rural communities and its impact, particularly economically, a little later on.

First of all you have to ask yourself, was PCS run any differently than a private sector company, in determining whether in fact there were different objectives; that while PCS itself . . . And it was stated policy of the government of Allan Blakeney, less so with the government of the present Progressive Conservative regime, that there was a

broader set of employment objectives set than private sector potash producers.

Dr. Olewiler notes that the Potash Corporation of Saskatchewan . . . And many other people have noted this fact as well, that the Potash Corporation of Saskatchewan has been a leader in creating good labour relations and a stable work force. A leader — not a follower, but a leader.

One can look, for example, at the example of the Lanigan shut-down in 1979 for overhaul, when most of the work-force was retained and put to work involved in the overhaul itself. Or when in fact the downturn which occurred in 1981 hit the potash industry, the response of PCS was first of all an attempt to ride it out, admittedly cut back production, but attempt to ride out the storm without laying off workers. It was only when the slump . . . It was only when it became evident that the slump was going to be a prolonged economic downturn of more than a few months duration, were workers laid off.

What Dr. Olewiler did was compare work-forces and the employment data for four Potash Corporation of Saskatchewan mines and three private sector mines on employment and output; in other words, the average product labour over the period. What did she find?

Well first of all, she found that there was a lot of variation in employment over the period, as one would expect over a business cycle; and secondly, a number of mines have increased their capacity since initial construction, therefore requiring an increase in the work-force. In addition, there had been technological changes over the period introduced into the mine, and while it's probably difficult to say whether they have been labour-saving technological changes, one would probably say that given the high degree of capital investment and the intensity of that capital investment in the industry, that the introduction of technology has been labour saving Mechanical miners obviously has resulted in a streamlining, if you like, of the work-force.

Therefore, Dr. Olewiler looked at not just the employment statistics of how many people were actually at work in the mine, but she looked at the average product of labour, that is, the productivity of person-hour productivity in PCS to find out whether or not there was a difference between PCS mines and as well between PCS and its aggregate and the private sector mines, and whether or not the PCS mines themselves exhibited significant changes from the period when they were first put into production under private ownership and then after they were acquired by the government.

To summarize, her findings are as follows. First of all, all mines increased employment over the boom period, '79-81 — that is, all mines, both PCS and private. PCS mines had an average increase of 15.5 per cent over the period, while the private producers averaged 14.7 per cent increase.

So during the boom period, the Potash Corporation of Saskatchewan hired 1.1 per cent more than the private producers, which is totally insignificant statistically, has absolutely no meaning in terms of any kind of statistical difference.

During the recession, you find that the Potash Corporation of Saskatchewan reduced its work-force by an average of 13.25 per cent from 1981 to 1982, while the three private sector producers reduced employment an average of 12.7 per cent over the same period of time. Again numbers which are very similar, performances which are very similar, statistics whose variation is insignificant in a statistical sense.

But what's interesting is that if you look at the — according to Dr. Olewiler — the average product of labour, that is, the productivity on a person-hour basis, the question she said is whether there is a significant change in the performance of PCS mines when they were switched from private control to public control.

Okay. Her findings were that for two of the Potash Corporation of Saskatchewan mines, there was no change in the average product of labour over the pre-PCS period from 1971 to 1977 and during the PCS period from '78 to '84. For the other two PCS mines, the average product of labour declines by an average of 14.8 per cent in one mine and 19.8 per cent in the other between the pre-PCS and post-PCS periods. In other words, from the time it moved from the private sector into the public sector, there was a drop in efficiency.

But that drop in efficiency had the following explanation: both mines in which the average product of labour fell had increases in capacity. In other words, you're dealing with Lanigan, for example, in which it's obvious the increase in capacity and the per unit cost of production based on capital costs and so on and so forth, the overall cost per tonne increase based on . . . as between the private ownership and the public ownership.

There may have been . . . Dr. Olewiler points out there may have been some technical difficulties in the mines that affected productivity but, and this is the important point that she wants to point out, the decline in average product . . . And we've already dealt with . . . Remember when we said that the Lanigan shut-down for revamping in 1979, that instead of laying off all the workers and sending them out for a year without a pay cheque, that what the Potash Corporation of Saskatchewan did was maintain the work-force and put the mining work-force to work to help in the revamping. Well that may indicate a preference for, in economist's terms, maintaining employment at stable levels even when it is not necessarily productive in terms of straight per tonne capacity.

(2115)

It probably is socially productive to keep people on the payroll working to revamp the place they work in rather than laying them all off, putting them all on welfare or unemployment insurance, lowering their standard of living, affecting all the businesses in the town of Lanigan and all those towns that surround the Lanigan mine and then rehiring them back on, not to say anything at all of the effect it may have on any of the farm and the off-farm income. But PCS made that decision, and particularly in the case of Lanigan, and so of course one would expect a decline in the average product of labour.

Now one of the things that became noteworthy is that average productivity was lowest during the recession periods. That's to be expected. There were cut-backs; the per unit cost of production declines with an increase in the utilization and capacity. But this suggests that while PCS cut employment and output during the period for the two mines mentioned earlier, it did not reduce employment enough to prevent a decline in overall productivity of the mine; that is to say that they had other objectives in mind other than just the straight bottom line.

And the additional factor was of course the change in the work-force itself, the change in the hours of production itself from a four shift to a three shift per day. And this particular change-over was not done without a little bit of bumping and grinding at the level of industrial relations, in which there was a noticeable decline in productivity because of a couple of wildcat strikes over the issue of changing the work shifts, but on an economic basis there was an increase in the productivity of them all.

Now that's the public sector mines; that's the Potash Corporation of Saskatchewan and how it fared over the period of time in regards to the average product of labour. How does that compare to the private producers? Well of the three producers, one had a small decrease in its average product of labour of about 4 per cent between the period '71-77 and '78-83. The other two firms had significant increases in their average products over the two periods, 11 per cent and 41 per cent. Now this suggests that the private sector was able to maintain labour productivity at a higher level over the business cycle than did the PCS mines.

One of the interesting things that comes out of Dr. Olewiler's study, however, was that she was not able to determine why that was the case, why there as the increase in PCS, but she simply knows the difference and suggests that basically the Potash Corporation of Saskatchewan has followed a different employment strategy. And quite frankly, Mr. Speaker, I don't think that the PCS management would be blamed, or should be blamed, or have any kind of . . . looked upon as being somehow less efficient in its management structure at that level over those periods of times because of a decline in the average productivity of labour, because when you follow different employment strategies, one can then be . . . starts getting outside the traditional areas of benefit cost analysis and has to look at some of the social costs involved in it.

But what is interesting if we look at the average product of all the PCS mines taken together over the period '78-83, and compare them to the average product of labour for the private producers taken together over the same period, we find the average product of the Potash Corporation of Saskatchewan's four mines to be a coefficient of 1.27 per cent . . . pardon me, at a coefficient of 1.27 and that of the private producers, 1.36. Now eliminating the mine in the Potash Corporation of Saskatchewan with the lowest average product increases PCS average to 1.41.

Now all this does, all this analysis does, I suggest to you, one of the major things it does is say, look, there's a myth

going around out there that somehow the government mines operate less efficiently than do the private sector mines. And as efficiency is a matter of definition in terms of what becomes efficient socially as well as in terms of the straight bottom line, it's apparent that even within the narrow confines of what constitutes a capitalist technique, the efficiency of capitalist technique, that even within those narrowly-defined parameters, that the publicly owned Potash Corporation of Saskatchewan performed very well vis-à-vis those private sector mines.

Now that is in regards to employment strategies that were followed by the Potash Corporation of Saskatchewan, and it impacted on the bottom line. I don't think anybody makes any pretence that it didn't. But it also impacted on the social bottom lines, and I would suggest, Mr. Speaker, that the . . . One can make a very good case economically that, in fact, that the social bottom line ultimately ends up as having more importance for the people of the province than, in fact, a straight, narrowly-defined definition of what constitutes profit and loss.

Now once again, you look at Potash Corporation of Saskatchewan and you say it followed different strategies in regards to employment, but it also followed different strategies as to the private producers in regards to environmental policy and health and safety issues. The study done by Dr. Olewiler and Dr. Flatters, the '83 study, and again the study done in '86, suggested very clearly that first of all, the Potash Corporation of Saskatchewan was quite conscientious in its attempts to minimize pollution and to ensure a safe environment for its workers. Part of that, of course, was the different area of industrial relations climate, the different kind of industrial relations climate that was set up because of the introduction of worker representatives on the board, and that that too enters into a factor of the notion of what constitutes efficiency, I suppose, on the one hand, but also, I guess, one has to deal with what constitutes a good corporate citizenship and what constitutes good sound business practices in terms of worker safety and in pollution. In that sense, it's clear that the Potash Corporation of Saskatchewan was ahead of its time in dealing with those issues on a conscientious nature.

Now what that did though . . . that had a cost attached to it. PCS had spent money installing and upgrading pollution control equipment which added to the cost of every tonne of potash produced, and it set about developing a whole series of plans and programs to minimize various sorts of emissions, both within the mill, in order to provide a clean environment for the workers. The corporation has taken great pride over the years, both under the policy directions of the NDP, but also under the policy directions of the Conservative government, that takes great pride in the accident-free periods which it reports annually in the annual reports.

For example, in 1983 in Rocanville, the Rocanville mine reported no compensable injury among 404 employees. This again, Mr. Speaker — note the year, 1983 — evidenced too, I suggest, that certain policies that were established prior to the Conservative government coming into place continued. But that's an actually amazing figure when you think about it. You have 404 employees working in a mine/mill complex, and over a whole year

you don't have one compensable injury.

Now it's one of two reasons to explain that: either that nobody reports to the Workers' Compensation Board, which I find highly questionable — I don't think that stands as an explanation; or the fact is that the Potash Corporation of Saskatchewan, in fact, tried to live up to the notion that workers' safety was one of the primary ingredients in job productivity. Similarly, at the same time, the Allan division won the provincial mine rescue competition.

As well in 1983, PCS had noted in its annual report that it was developing a long-range affirmative action program for its head office and subsidiaries. Now of course it's always nice to put into an annual report saying we're developing these plans. Unfortunately there has yet to be any statistic produced to suggest that that has been put in place. But at the same time, it is seen within the context of a socially responsible policy that arises from its mandate as a publicly owned mine.

Now another interesting aspect which separates this, the Potash Corporation of Saskatchewan, from the private potash producers are its attitudes towards research and development. The Potash Corporation of Saskatchewan had a policy of spending at least one and a half per cent of sales revenue on R&D (research and development). Since its formation, according to Dr. Olewiler, the Potash Corporation of Saskatchewan has spent more on research and development than any of its Saskatchewan competitors, with IMC (International Minerals and Chemical Corporation Ltd.) in second place.

I ask you, Mr. Speaker, would that have occurred had those mines, which were brought together under the PCS umbrella, remained in the private sector hands? There is the evidence that stares you in the face to suggest that it wouldn't, that in fact that when you split those other mines up among the producers, that the research and development would not have been done here in Saskatchewan, and would have been done somewhere else outside.

The results of that R&D, of course, have resulted in the ore-biter, the development of the ore-biter machine that's in use in Lanigan, and a whole number of other research and development activities carried on by the PCS.

Now those are some of the social aspects, but again, go back to some of the economic aspects. There are certain other things that Dr. Olewiler looked at in regards to the difference between PCS and the private sector. One of the questions she asked was: does the Potash Corporation of Saskatchewan invest in products different from those of its private sector counterparts?

Well, we'd already gone through the period of the late '70s to the early '80s in terms of the increase in productive capacity. Dr. Olewiler dealt with this increase in capacity from the point of view of corporate strategy of whether or not and how that corporate strategy was developed. I may go into that a little later. But for now, the question is this is that whether the company is basing these decisions, this corporate strategy, that is to increase capacity or to maintain employment levels over downturns in the

economy or to develop this mine rescue program or to develop the kind of worker health and safety consciousness among the work-force that it does, to spend money on those; whether or not it is making those decisions, and that in making those decisions they have affected the rate of return, in other words, between the Potash Corporation of Saskatchewan and the private producers.

In other words, is it profitable . . . I guess the way to put it: is it profitable to be health and safety conscious or to be employment conscious or to have regards to employment equity? And those are the kinds of questions that Dr. Olewiler looked at in her study.

According to Dr. Olewiler, first of all, she says that:

The corporation says that generally accepted industry practices are used to evaluate any new investment project, and that means that higher rates of return are required for new developments, that is, new mines and lower rates for expansion of existing mines.

And that was a policy that was put in place by the NDP government and was maintained by the Progressive Conservative government, that that corporate strategy, if you like — and it didn't really matter in some senses until very recently who was at the helm — that that formed the very basis of some corporate decision making.

(2130)

On the other hand, while you have those corporate strategies in place, it was apparent that the Potash Corporation of Saskatchewan was taking a longer view in regards to research and development expenditure than its private sector counterparts. And that, I would suggest — and I don't think that any member of this Legislative Assembly would say that research and development should not be done in Saskatchewan, and secondly, I don't think anybody in the House would say that the Potash Corporation of Saskatchewan should not do that research and development. I don't think there's anybody here that holds that position, because they see, in fact, the long-term economic benefits just in terms of economic spin-off such as the production of the ore-biter, as is an example.

Now is there any evidence to suggest — and this goes into the area of political rhetoric favoured by members of the Conservative government — that the provincial government is using the moneys obtained from the Potash Corporation of Saskatchewan to diversify and expand its economies. What was the answer Dr. Olewiler gave to that question? Has PCS and the moneys come from PCS . . . used to expand and diversify the economies?

And here's what Dr. Olewiler says. She says:

One would have to say yes, that in other words, since the creation of the Potash Corporation of Saskatchewan, the returns from that corporation have gone into the expansion and diversification of the economy.

It's not a notion which is new to the Progressive Conservative government. It's a notion which has been built into the very structure and foundation of the Potash Corporation of Saskatchewan, the public potash corporation. Since 1980 the potash corporation has paid, as we have seen, dividends to the provinces investment corporation, CIC (Crown investments corporation). Now it is hard of course to trace the explicit use of those funds. Suffice it to say that with the payment of dividends to the Crown investments corporation and the use of those dividends in commingled manner to engage in other investments and to develop other industries, that it's clear that the money from PCS has been used since 1980 on to diversify the economy.

Well the question, from an economist's point of view, from a benefit cost analysis point of view, is this: would it have been better to invest the money, reinvest it back into the potash corporation for increased capacity or increased productivity, labour-saving devices technology, or is it to the greater benefit to the people of Saskatchewan to take that money and put it in the dividends through the Crown investments corporation of Saskatchewan? That's the economic question; it's not a political question so much as it is a straight economic question.

Where do you get the greatest rate of return? The subset of that argument lies in the economic argument that, is it a good thing to haul dividends out of PCS when PCS was losing money? The problem with that, the problem with giving anything else other than a political and a rhetorical argument is that nobody knows. Because nobody follows the \$50 million that came out of PCS and was taken to the Crown investments corporation, nobody can follow where those \$50 million went. Obviously it went somewhere, invested in economic ventures that the province engaged in.

So in a specific sense it's hard to quantify that particular economic question. But suffice it to say that if the investments of the Crown investment corporation are growing, and if the \$50 million dividends which have been paid to Crown investment corporation have helped to increase the rate of investment or the rate of return greater than, one would suspect, that rate of return which accrues to the potash corporation, one would say it's probably a good thing to take the dividends and pay it to the Crown investment corporation.

And I think if you look at the record of the rate of return of the Crown investment corporation in Saskatchewan, one tends to suspect that the investment of the \$50 million in CIC, with the possible exception of 1983 when PCS underwent its worst financial situation and the dividend was taken out of the corporation, that with the exception of that, one could say that it probably is a good idea; that and the fact that the money coming out of the potash corporation invested in Crown investment has been used to develop and expand the economic base and the base of economic activity in the . . . that the investment is a good thing, not a bad thing.

Now the point of Dr. Olewiler's entire analysis, which I have dealt with at some length — in fact, starting at about 9:20 yesterday and dealing up to this time — is reached in

the following conclusion, Mr. Speaker, and that is this: in summary, according to Dr. Olewiler, the Potash Corporation of Saskatchewan looks like it has generated fairly substantial rents to the province of Saskatchewan, point number one; that in other words, that the investment in the potash corporation returned money back to the people of Saskatchewan.

Point number two is that while '82 and '83 were poor years, the period from '78 to '81 was extremely profitable and '84 was a return to profitability, and based on that, between '84 and today, that's basically where the situation that the potash corporation has found itself. With the exception of the artificial taking over the \$600 million debt, which is an anomaly and which, I think, any reasonable economist would discount in terms of the real financial position of the Potash Corporation of Saskatchewan because it was obvious it was nothing but a political ploy, it was clear that the investment and the long-term was profitable.

The Potash Corporation of Saskatchewan has set forward a series of objectives, which include long-term growth through increased research and development and increased capacity, concern for stable employment, the environment, and improved health and safety. These concerns have not driven the corporation into an unprofitable situation. The residents of Saskatchewan may thus have benefitted considerably from this company which has generated rents without compromising social concerns.

That, Mr. Speaker, speaks well. I would say that analysis and that kind of conclusion by a person of Dr. Olewiler's stature speaks well as to the acuity of making the investments in the Potash Corporation of Saskatchewan.

Now what does the future hold? On an economic level for the corporation, Dr. Olewiler helps to deal with the question of market strategy in the context of the economic criteria which was outlined earlier on. And in dealing with that market strategy, Mr. Speaker, Dr. Olewiler — and I'm not going to go into a great deal of detail in this particular aspect of Dr. Olewiler's research, because, first of all, it is theoretical in the sense of it develops a great deal of argumentation around the correct use of econometric modelling, and how that can best be effective to deal with a basic resource like potash.

Secondly, ultimately the market strategies that are produced or that are effected will be based on decisions which must be seen in the overall context of the objectives, not only of the corporation itself — although obviously they are primary in developing those objectives — but secondly, as Dr. Olewiler has pointed out, they must be seen to be developed in the context, as I earlier had stated, within a framework which extends beyond the mere narrow confines of what constitutes capitalist economic efficiency.

In other words, Mr. Speaker, I want to put forward as a proposition to the members opposite the following; if you are making the argument that in order to develop . . . Perhaps if the members will calm down they'll learn something . . . But if they are developing the argument that they need to sell equity in the Potash Corporation of

Saskatchewan in order to expand the productive capacity of the potash corporation, in order to diversify into foreign markets, or in order to diversify the economy of Saskatchewan somehow, somehow seen in isolation are the activities of the corporation itself, I suggest that that is nothing more than fallacious political rhetoric.

It is obvious that the profitability of the potash corporation provides the internally generated cash, the internally generated revenues which will allow any expansion into those following areas. The proposition that you are following, I suggest, is not one that has anything to do with either the profitability of the corporation, but has much more to do with the political favours that the members of the Progressive Conservative Party owe to their friends in the international potash industry; that that's actually the actual driving force behind their attempt to privatize the potash industry; has got nothing, absolutely to do with the economics of the firm, but has everything to do with the political needs of the Progressive Conservative Party in Saskatchewan.

But, Mr. Speaker, even if that is the case, which the members opposite may or may not want to agree with — although I know a great many of them would agree with — but even if that is not the case, the people of Saskatchewan have come to the conclusion that that is the reality behind what the attempt to privatize the Potash Corporation of Saskatchewan is all about.

We have just gone through a whole series, several hours of debate in the House trying to deal with what, admittedly, is tedious economic statistics and somewhat dry economic analysis, that pointed out that the Potash Corporation of Saskatchewan, run as a public concern without private share equity in it, has performed, as the economists said, performed to the benefit of the people of Saskatchewan.

Now, Mr. Speaker, I think that it's incumbent that when somebody with the academic credentials of Dr. Olewiler, with somebody with the political knowledge of the industry itself and with the economic background to be able to do the kind of analysis that we've presented here, that it's incumbent upon the members of the Progressive Conservative Party to stand up and say, it just ain't so. But you know what, Mr. Speaker? I bet you not one of them will, I bet you not one of them will. They will not dare to go into the details of the real operation on an economic level of the Potash Corporation of Saskatchewan, and they won't do it because the reality of the Potash Corporation of Saskatchewan does not fit their political ends and objectives.

(2145)

The reality of the economics of the Potash Corporation of Saskatchewan are clear, and they say it's a good investment for Saskatchewan: it returns rents; it returns money to the people of Saskatchewan; it fulfils the long-term developmental needs. And more importantly, it is a leader in the industry on an international scale and acts as a co-ordinator and the setter of prices, or at least the price leader, if you like, on an international scale which maximizes the benefits of potash production to the people of this province.

But the economic realities, the realities of the debate, facts and figures don't make one darn bit of difference to those people, Mr. Speaker, not one darn bit of difference whatsoever. They sit there with their smug political slogans, hiding behind a political agenda which is not that of the agenda of the people of Saskatchewan but is nothing more than the agenda of the foreign potash corporations.

And not one of them — not one of them — not one of them even with the kind of integrity that I would give to the Minister of Energy and Mines and with the political acumen that that member has, and with the brights that that member has — not one of them, including her, will stand up and try to refute the kind of economic analysis we put forward, not one of them.

Mr. Speaker, the member from Regina South kind of in his manner outlined why: because it won't fit into the 15- or 20-minute political clip to try to deal with a complex situation, a complex economic structure as is the Potash Corporation of Saskatchewan. Anybody — and it just totally disgusted me and filled me with contempt — that tries to say you can deal with this Potash Corporation of Saskatchewan in 10 or 15 minutes has nothing but contempt for the people of Saskatchewan, is nothing more than an arrogant popinjay who tries to masquerade political rhetoric for economic . . .

The Speaker: — Order, order. As I said earlier, personal attacks on other members in the House do not add to the level of debate, and I would ask the hon. member to refrain from that line of debate.

Mr. Lyons: — Sorry, Mr. Speaker, it was not intended to any particular member. It was an attitude that I was trying to describe here, but we'll let it drop for the time being.

Be that as it may, Mr. Speaker, be that as it may, anybody that tries to stand here and say, well I've dealt with the issue of the Potash Corporation of Saskatchewan in 15 minutes and therefore I know it all because I'm able to put my thoughts together in 15 minutes, exhibits the kind of contempt for the intelligence of the people of this province, Mr. Speaker, that shows the people of this province that those who have that kind of contempt for them don't deserve to occupy the seats of government, and they won't.

They won't, because the people of Saskatchewan, in a very real way, know what effect the Potash Corporation of Saskatchewan has had on their lives. When you think of the number of people that have worked for the Potash Corporation of Saskatchewan and the number of families that are affected because one or maybe both members of the family have gotten a pay cheque from the Potash Corporation of Saskatchewan, and the number of farm families that have taken farm income, off-farm income, to keep their agricultural operations viable, and their relatives and their friends and the people that they associate with in the communities, you see that there are a lot of people out in Saskatchewan who know a lot more about the Potash Corporation of Saskatchewan on a first-hand basis than any one of us sitting here do.

My friend, the member from Cumberland, for example, is a former potash miner, worked at Central Canada Potash corporation, knows what it's like to draw a pay-cheque from a private potash producer, and knows what the advantages of having a publicly owned potash corporation in existence in the province of Saskatchewan is. And that member knows that from real life experience, but so do all the other people who worked with that member in that particular potash mine, and so do all the other potash miners who have worked in the potash mine, and so do all the other potash miners who have worked in the potash mines, both private and public in Saskatchewan, know what the real world is like when it comes to dealing with potash.

Mr. Speaker, this is not just a question of political rhetoric, this is also a very salient, sociological fact of life here in Saskatchewan. And as I said earlier in terms of giving the outline of my speech, I wanted to first of all deal with the economic analysis and the importance of the economic debate, which I have done, and that is clear, based on empirical research done by resource economists. The conclusion that was reached, that backs up our argument, is that it was a good investment economically; that is, within terms of PCS, the operation of PCS itself.

Mr. Speaker, I want to turn now to the major section of my speech, and that is the effect of the economics of the Potash Corporation of Saskatchewan on the real world here in Saskatchewan in terms of how it affects real people in real communities. And in doing so I want to relay to you, first of all, to give you some idea of the importance of the potash industry in Saskatchewan in terms of the people that it affects directly, both through employment, but also through the development of a stable economic base upon which the society operates throughout the potash belt, if you like, what's become known to be the potash belt in Saskatchewan.

And in doing so, I want to give you an idea, Mr. Speaker, of precisely what we're talking about. What I've done is drawn up a list, first of all, of those communities in Saskatchewan directly affected by the potash industry. Now in terms of the methodology of this, what we've done is taken a 50-mile radius as a centre, 50 miles being now within less than an hour of a trading area. In other words, the distribution of population within that 50-mile circle with the mine at its focal point is a reasonable set of assumptions to draw out the facts I am going to make later on. More importantly, it provides a common set of criteria which can be applied across the province in the sense that its size is constant. The parameters are value-free in the sense that it doesn't matter whether the 50 miles is within the 50 miles of Kalium Chemicals or 50 miles of Rocanville.

And the reason that I've done that is to point out the different impact that the Potash Corporation of Saskatchewan has had on the communities it operates in, and the impact that the private potash firms have had; to show or to begin to develop the analysis and thesis that the Potash Corporation of Saskatchewan has been more beneficial at the level of social benefit for people in Saskatchewan based on its practices, stated practices, in regards to employment, and also based on stated practices which I've just outlined in regards to things like the social aspects of potash production.

Now, Mr. Speaker, first of all one is totally amazed at the number of communities and people that are affected by the potash industry in this province, just within the 50 mile radius as I have outlined. And it's value free. It could have been a 20 mile radius or 100 mile radius, but 50 miles seems to me reasonable, given, as I said before, the distance to travel within any particular market area.

And I want the members to listen, if some of them want to, because I think that the list that I'm going to read and the people that are affected on that list will probably deal with every member of the Assembly. Now every member of this Assembly represents somebody who is affected by the potash industry, with the possible exception of the member from Shaunavon and the member from Maple Creek. For example, Mr. Speaker, those who are affected by the existence of the Kalium potash mine — and as you know Kalium was one of the mines which had undergone expansion in the 1980s — the communities of Kayville, with a population of 54 people; Dahinda, Parry, 48 people, Truax with 20, Spring Valley with 31, Avonlea, 433 — a fair-sized community within that 50 miles radius. People in Avonlea work at Kalium, I know that for a fact, Claybank, Milestone, Riceton, Wilcox, Corinne, Gray, Estlin, Rouleau, Hearne, Crestwynd, Briercrest, Pasqua, Drinkwater, Belle Plaine, Richardson, Kronau, Jameson, Davin, Balgonie, Pilot Butte — already we're out to the other side of Regina, and there are people in Pilot Butte who work at the Kalium potash mine. Zehner, Edenwold, Grand Coulee, Pense, Stony Beach — Stony Beach, which used to be a thriving community very close to the Kalium potash mine, in fact, a little personal relationship to Stony Beach.

There was a one-room school in Stony Beach, which no longer stands there, but it was in that one-room school where my wife first taught grades 1 to grade 6. I spent many a day in Stony Beach, but — Disley and Lumsden and Craven and Bethune and Sifton and Earl Grey, Southey, Bulyea, Strasbourg, Dilke, Holdfast, Penzance — areas that you're familiar with, Mr. Speaker — Findlater, Chamberlain, Aylesbury, Brownlee, Keeler, Marquis, Tuxford, Caronport, Mortlach, Caron, Boharm, Moose Jaw and Regina. Within that 50 mile radius, Mr. Speaker, of that one mine, we find a population of 222,344 people.

Now obviously the mine does not directly affect those 222,344 people with the same impact, but it certainly affects everybody who lives in those communities; it certainly affects the people who live in those communities indirectly, particularly those communities in which we find concentrations of potash miners who bring home pay cheques in the communities to keep businesses going to keep farms going and to keep households going.

What's interesting about this particular mine, Mr. Speaker, is that I would hazard a guess that, far from acting as a tool for social development, which is what the other potash mines have done basically and particularly those mines operated by the Potash Corporation of Saskatchewan, that the Kalium mine probably impacts rural Saskatchewan and the small communities outside Regina much less than any other mine in the province.

(2200)

On the other hand, let's look at the south-eastern part of the eastern part of the province that's affected by International Minerals and Chemical Corporation mine, Esterhazy mine, and Rocanville — Esterhazy and Rocanville being, of course, the two of the Potash Corporation of Saskatchewan mines.

Look at communities like Rhein and White Spruce, Stornoway, Wroxton, Orcadia, Willowbrook, Tonkin, Dunleath, Calder, McNutt, Wauchope, Otthon, Fenwood, Saltcoats, Crescent Lake, Birmingham, Westview, Bredenbury, Churchbridge, and Langenburg — and in a few minutes I'm going to get to the effect, Mr. Speaker, that the mines have had in the population of these communities — and when you look at the Churchbridges and Langenburgs and Bredenburys, as well as the Saltcoatses or the Bangors, Waldrons, Killalys, Lembergs, Neudorfs, Grayson, Dubuc, Marieval, Stockholm, Esterhazy, Atwater, Yarbo, Gerald, Marchwell, Spy Hill, Tantallon, West End, Summerberry, Grenfell, Broadview, Percival, Whitewood, Rocanville, Welwyn, Red Jacket, Wapella, Burrows, Peebles, Kipling, Langbank, Kennedy, Moosomin, Fleming, Dumas, Kelso, Wawota, Fairlight, Mair, Maryfield, Yorkton, and Melville, here we have populations, Mr. Speaker, in all those communities totalling 41,315.

First of all, what strikes you about that is when you look at the population figures, you compare that type of mine, that mine and these mines, and their effect in rural Saskatchewan communities compared to Kalium, you begin to see a pattern emerging that outlines to us all what the effect at the Potash Corporation of Saskatchewan has had in rural Saskatchewan, first of all in developing the mines and in keeping those mines going.

For example, a community like Saltcoats has a population now of close to 600 people. As you know very well, Mr. Speaker, from having that acquaintance with that part of the country, that the Saltcoats of the world would not in fact have anywhere near that population without the existence of the potash mines.

Similarly Bredenbury, 462, this is again based on the '86 census, or Churchbridge was a 1,035, Langenburg with 1,371, or if you look at Lemberg with 437, and Neudorf with 383, Stockholm with 406, Esterhazy with 3,083, Grenfell with 1,200, Whitewood with 1,110, Moosomin with 2,500 — somehow I've missed Rocanville in here — Kipling with 1,000, Yorkton and Melville with 15,000 and 4,000 respectively, all those communities that are affected directly by the Potash Corporation of Saskatchewan for the following reasons.

One is that first of all the people who work in the Potash Corporation of Saskatchewan live in those communities. As you know very well, that in the potash belt no one community contains the potash workers. And I just have to find here, for example, Rocanville, I'm missing the numbers for Rocanville, be that as it may. But you have, contrary to the tendencies which are occurring in other parts of Saskatchewan, that is of rural depopulation, that in those areas in which the Potash Corporation of Saskatchewan is active, maintaining its policies, as I've

outlined before, its social policies of long-term employment development. In contrast to the areas where you are suffering a depletion of population, those areas that PCS operates have seen a stability of population and a distribution of population, not in a single centre as is the case with, for example, a Kalium, but the distribution of those population over a fairly wide geographic area, some in some cases, stretching more than 50 miles from the mine site; in other words, outside that radius of affected area that I've drawn up of 50 miles.

And with that population spread out over those communities, you see from just the numbers I've read, particularly those communities around the east end of the province, you've seen not just stability within that population, but in fact there has been growth in that population, a growth which has benefitted, I would suggest, Mr. Speaker, all of Saskatchewan; a growth which has been produced to the benefit of just not any individual mine or any individual corporation but for all of Saskatchewan because of . . . well a whole number of factors that relate to physical geography, not the least of which is that it's more efficient to have people spread across smaller communities in terms of social costs than it is to have people stacked on one another in a large urban area.

And I know, Mr. Speaker, as you do, that in the east end of Saskatchewan that those communities particularly affected, the Moosomin and the Maryfield — Maryfield, with a population now of 422, a stable population for Maryfield. In fact, Maryfield, because of the activities of some of the farmers who work at the potash mine at Rocanville and try to make a go of it on the land, which is not the most productive, in Maryfield, as you know yourself that that's not the most productive land in that particular part of the province, Mr. Speaker, right? I'm glad you agree that there is a . . . quite frankly, the off-farm income provided to those farmers because of the jobs that they have got at the potash mines in that part of the province have provided the kind of economic stability that all of us in Saskatchewan want to see.

Now when I say economic stability, I don't mean stability just in terms of population numbers, and tomorrow as we get into the heart of the debate you will see . . . and the minister laughs. Well, aren't we talking about, Mr. Minister, the effect of the potash corporation on Saskatchewan? And here we're doing it right down at the community level, including, I may say, many communities that are affected within the 50-mile radius of those mines I outlined that lie within your constituency of Indian Head-Wolseley.

There are potash miners that live in that minister's constituency who are not going to be overly pleased at seeing their mines fall into private hands. But be that as it may — that's not where I want to concentrate my remarks right now — but if you look at Rocanville with a population of 1,000 around 920, Rocanville would not exist in the shape and the form it exists today without that mine. And that mine, because of the economic policies as pursued by the Potash Corporation of Saskatchewan in trying to levelize employment and trying to maximize the benefits both to the miners as well as to everybody else in Saskatchewan, that the Rocanville would not anywhere

have that type of population.

But as I said, it's not a question solely of population, Mr. Speaker, it's a question of a number of other things. It's a question, for example, of the economies of the tax base and the ability of the municipalities in that area to maintain a lower tax base, based on the ability and the income levels sustained by those areas which are affected by the Potash Corporation of Saskatchewan mines.

And of course, as you very well understand, in a community like Rocanville, when you have a set of people who live in that community, who have the opportunity to earn a steady pay cheque, not spectacularly high but not bad, relative to other occupations particularly in the service sector in Rocanville, you can see, I'm quite sure, that the municipal officers of the community of Rocanville are only too happy to see the Potash Corporation of Saskatchewan undertake a labour force policy, not just the notion of the bottom line, the short-term bottom line, but sees, in fact, the fact that to keep people on in Rocanville, despite the fact that there may be a flood in the mine, and to keep them working and to keep the pay cheques coming in, is a social investment which will not and which has not been carried out by the private potash producers.

So this economic analysis, Dr. Olewiler's economic analysis, on the one level represents the theoretical model of what has happened with the Potash Corporation of Saskatchewan; on the other hand it has a very, very direct bearing on the ability of the community of Rocanville — and I use Rocanville as an example because I could use Spy Hill or Tantallon or Esterhazy or Welwyn or Wapella or Kipling or Moosomin or a whole number of communities, all those ones I've read out — on their ability to maintain the kind of level of services which all residents in their area want, need, and enjoy.

Mr. Speaker, it seems to me for that very reason alone that this government would be reluctant to tamper with a corporation which fundamentally provides that kind of social stability and acts as an agent of, in fact, agent of growth at the local community level. All the questions of direct taxation apart, and how in fact the benefits from the potash mine, or some of the benefits from the potash mines, are best given over to individual communities, the question of the existence of the communities and their ability to maintain themselves through the income provided directly and indirectly by the Potash Corporation of Saskatchewan would, seem to me, worry those people affected by this sell-off of our assets to foreign corporations.

(2215)

It seems to me, Mr. Speaker, that if I was a mayor in Rocanville or a mayor in Kipling or a mayor in Wapella, that I would worry somewhat about the tampering with the formula which has given my community some social stability and has given my community some economic stability and which has provided the kind of tax base and revenues that are important to our communities. I would worry, Mr. Speaker.

I would particularly worry when I found the Minister of Finance tampering, the Minister of Finance tampering with what has termed to be a successful formula. After all, it was the same minister that tampered with the successful formula that led to 11 successive budgets without a deficit during the Blakeney administration and eight budgets with a deficit during his reign here in Saskatchewan. That, Mr. Speaker, as I said, would worry me, and I think should worry the 41,000 people, and a little more, that operate within a 50-mile radius of the IMC Esterhazy in Rocanville.

And I say that, Mr. Speaker, not out of any kind of sense in which I want to scare somebody or sort of raise something that doesn't have any basis in fact; rather, Mr. Speaker, I think what would scare me the most has been the record of this government and how they have dealt with those kind of communities at the local level. And we only have to look at the next example that I'm going to use, and that is those people affected who all fall within the communities within a 50 mile radius of the Allan, Cory, Cominco, PCA Central Canada, and Lanigan potash mines.

Now those five mines directly affect three pages of the list, if you like, Mr. Speaker, three pages of communities, and once again it amazes me how many people are directly affected. Something like 230,793 people live and work within a 50 mile radius of the Allan, Cory, Cominco, Central Canada and Lanigan mines. And they include community after community: the Wynyard, for example, 2,000 people; Lanigan with 1,600; Wakaw with 1,000; Humboldt with 5,000; Watrous with 1,900 — and I'm just touching on some of the larger communities now — Rosthern, 1,500; Saskatoon, of course; Martensville, Warman, Dalmeny — many, many communities, some Harris with 277, or Asquith at 557, or Delisle with 986. And the list goes on and on and on. Those 230,000 people are affected one way or the other by the activities of the Potash Corporation of Saskatchewan.

Now in a smaller community of course, when you have a shut-down of a mine, you see the kind of disastrous effect that it can have in a very immediate manner. Or any large-scale business: if you have a one industry town that employees the great majority of the work force in that industry, and that industry shuts down — well Uranium City we just have to look as an example. We know what happened in Uranium City when Eldorado shut down its mine up there. And we know what happened in Saskatchewan when the Progressive Conservative government shut down one of the Potash Corporation of Saskatchewan operations in a small community.

When PCS made a decision contrary to what had been its operating policy in the past, that is to try to maintain employment, maintain production in order to add social benefit as well as economic benefit to the people of Saskatchewan — when it shut down its mine, what happened? Well, several hundred miners lost their jobs — that was, of course, the first immediate effect, and those people were the ones who were affected most.

The Speaker: — Order. Once again, what the hon.

member is saying may be interesting, but you'll have to relate it to the Bill under discussion now, which is the reorganization of the Potash Corporation of Saskatchewan, and the fact that those miners got laid off some time ago . . . you'll have to relate it to today's Bill.

Mr. Lyons: — Well thank you very much, Mr. Speaker. I thought perhaps that I had been right, but I will make it definitely evident right now.

As I earlier said, the Potash Corporation of Saskatchewan differed, based on the analysis done by the resource economist. Dr. Olewiler said that the Potash Corporation of Saskatchewan differed because it pursued objectives, because it was publicly owned, different from that of the private sector corporations, and that one of the objectives that it pursued was the maintenance to the extent possible — and it obviously couldn't do it at all times, or at least it made the policy decision not to do it at all times, particularly when the recession hit — but that one of the policy objectives was to maintain that full employment to keep the people of Saskatchewan working, to keep potash miners working, and to maintain the viability of rural Saskatchewan communities. Now that was a stated objective, at least up until 1986, by the Potash Corporation of Saskatchewan — or I should say 1984 to be fair to Dr. Olewiler and her study.

Something has changed, something has changed in that objective. When we saw the several hundred miners lose their job because one of the mining divisions of the Potash Corporation of Saskatchewan had been shut down and the immediate effect of that policy decisions change — and I would suggest, sir, that it is in anticipation of the privatization of PCS which led to that decision — because of this supposed attempt to define what encompasses or what defines an efficient mining operation, that the policy objectives as originally laid down in the mandate of PCS had been changed.

Now when PCS made that decision to change it, it was at variance with the kind of social objectives outlined in some mandate when originally established. The point I am making in this, and the point I am leading to this is this: the conclusion is, is that there is no guarantee any more that the tens and hundreds of thousands of people directly affected by the potash industry in Saskatchewan will have as their champion, if you like, in the potash world, a corporation which will set as one of its objectives the maintenance and stability of their communities.

And there is indeed the historical evidence to back up what I'm saying in that matter. We have seen PCS in the last several years make an economic decision at variance to its whole history resulting in — and this is where I left off on that particular argument — that first of all, the direct effect on the miners themselves.

And of course, nobody, I'm sure wants to in a real way see people laid off from work. There's nobody here wants to see people laid off from work, but there are those in this Assembly who said, well, I guess we'll have to change the objectives of the Potash Corporation of Saskatchewan if we're to make it more saleable, and those miners at the Cory division — I believe it was the Cory division — have to go.

That's the point, very simply the point I'm making. It is because, while there was at least a modicum of social control over the potash industry of Saskatchewan and at least while there was a framework of social objectives defined by the Potash Corporation of Saskatchewan, which were objectives not necessarily to maximize in the short term profits of the bottom line but were to maximize social objectives, so that not only was it a question of people not having jobs, all the other effects of those people not having jobs would be felt.

And here, Mr. Speaker, is a matter where benefit-cost analysis has to extend beyond the operation of the firm. For example, if the Potash Corporation of Saskatchewan is privatized and if the new private board of directors, privatized board of directors of the Potash Corporation of Saskatchewan says that our ultimate objective is going to be the maximization of profits, just like the private guys are, and if there is another cyclical downturn of two or one and a half or one year's duration, or even for six to eight months duration, based on the analysis done by Dr. Olewiler and the past performance of the Potash Corporation of Saskatchewan, what do you think will happen? Will — based on this data — will the private companies that privatized PCS maintain as one of its policies a maximum employment policy, if you like, to help not only those miners that are affected by potential lay-off but to help the communities that fall within, and I use that figure, of a 50-mile radius? Because that's what the question is: what do you think will happen?

Well based on past performance in the potash industry, the first response of the private companies has been not to try to wait out the downturn; the first response has been to lay them off as quickly as possible — sorry, Heidi, I wasn't snapping my fingers at you.

That's the response, not to try to develop stability and employment in the mines and in the communities, and not only employment but also the dollar impact. That's not going to be the response. Their response is going to be that we'll lay off the miners whenever and however there's a downturn in the economy. And that's been the . . . one of the major differences in the real life out there between the Potash Corporation of Saskatchewan and between the private companies.

And that is why those miners particularly who are working now for the Potash Corporation of Saskatchewan and who worked before for the private companies are bound and determined that this company will not be privatized. Those potash miners who live through some cyclical downturns, even conjunctural downturns, not cyclical but conjunctural, you know, you have a six- or eight-month period of time when sales are slow. And what's the response been? Well before PCS took it over, and you go talk to the miners, before PCS took it over they would lay us off. That would be the first response.

(2230)

Now what PCS does is try to continue production, stockpile it, and they've got a saying, that they know when to even take industrial action with a strike, based on

the ability of PCS — or any other mine for that matter — to stockpile production. And PCS has made it a habit of stockpiling production.

And as Dr. Olewiler said, that has been one of the reasons why PCS came out of the economic recession of the early 1980s better than did the private producers, is because not only was it a socially smart policy to pursue, it was also an economically smart policy to pursue, economically in the sense — as I think was pointed out, I'm not sure, but perhaps it wasn't — that economically when you produce something now, put it aside, you have got the production costs of now and the carrying costs of storage but you don't have the production costs of later on, which are always increased, both at the rate of inflation and also for other factors; for example, wage settlement factors or cost of other materials and gas, oil, lubricants, all those kind of factors which enter into productive costs within a mine — electricity, those energy costs.

So that economically one can make a very good case that it's smarter to stockpile that stuff now because it's cheaper to produce and sell it later on when the prices are higher. And at the same time what you do is you maintain a stabilized work-force, and that basically has been the operating policy of PCS up until we saw the turn around with the lay-off of the 200-and-so potash miners.

Now that being the case, there is absolutely nothing to suggest that a privatized mine is going to turn and reverse that policy back to where it was and say that one of our objectives is to maintain stability of employment in the industry, because the other private producers certainly don't have that as an objective. Short-term profit, short-term profit, short-term profit — that's been their history, not the stability. And I don't mean stability in an abstract sense; I mean stability for those communities that are affected directly by — and in the case of Lanigan, because Lanigan has, up until the expansion, had one of the higher costs per tonne in production. It doesn't any more.

But if you look at the number of people who live within the 50 mile radius of the Lanigan mine, we're talking a fair number of people throughout Saskatchewan. And you're looking at the Raymores and the Wynyards; Kandahars . . . let's see, Quinton and Punnichy, I think, are within 50 — I could be wrong; Nokomis is within a 50 mile radius — that's 538 people in that particular municipality; Jansen, 214 people there; Esk, Lanigan, 1,698; Leroy, Muenster, St. Gregor; I think Wakaw would probably be outside, but Humboldt with 5,000 people; Plunkett, 130; Guernsey, 186; Young, 427; Watrous, 1,900; and so on and so forth.

You understand, Mr. Speaker, those are numbers on a piece of paper, but they're also representative of the people who are directly affected, particularly — I mean, what happens to a Plunkett or a Guernsey if the Potash Corporation of Saskatchewan is privatized? There's a downturn and they say, we've got to get rid of miners as quick as possible; out the door they go. Well we all know what's going to happen.

You know what's going to happen to a Lanigan. We all know what's happened with Lanigan with the . . . just in

the method that PCS has allocated its production over the last little while, that Lanigan's been one of the communities in Saskatchewan to suffer most from the downturn of the potash industry and the deliberate decisions . . . of the decisions deliberately taken by PCS to allocate productive and production to other mines other than the Lanigan mine.

And hence we've seen Lanigan decimated, not only because of the population leaving, but you look at what's happened with the business community in Lanigan; you see the mayor of Lanigan has been in the news last year talking about finding . . . there has to be some kind of way that PCS can deal with the town of Lanigan in a manner which will promote the business interests in that particular community as opposed to, as he says, ending so that everybody's closing up shop. I mean, that's the reality of what's going on out in those communities affected by the potash corporation, is that there is quite frankly a fear, and a justifiable fear, particularly given the activities of the corporation lately, that what will not be put first are the social objectives.

Mr. Speaker, those social objectives are not unique. I want to say this . . . and I'm just going to look for a piece of material here for a moment because it deals with . . . if you'll just excuse me here. I'm not sitting down, but I've got something here I've got to deal with.

As I said, the Potash Corporation of Saskatchewan is not the only mining corporation in Canada to set social objectives as an integral and legislative part of its mandate. And I want to make this clear at the start that I'm going to draw a comparison between the Potash Corporation of Saskatchewan as a publicly owned mining corporation, and the only other major publicly owned mining corporation in Canada. And that, Mr. Speaker, is the Cape Breton Development Corporation.

Now the Cape Breton Development Corporation is interestingly enough a publicly owned mining company that mines a major resource in a hinterland economy. That's a parallel with Saskatchewan. In other words, it's an economy which stands to the outskirts of the major metropolitan areas of the country.

The Speaker: — Order. I wish to inform the hon. member that in his remarks, while he may certainly use an example, I will not allow long, drawn out examples of some situation somewhere else. It will not be considered as relevant to this debate.

Mr. Lyons: — Yes, thank you very much, Mr. Speaker. No, I didn't intend to make use of long, involved economic analysis of the Cape Breton Development Corporation. I just intend to read to you the mandate of the Cape Breton Development Corporation and relate that mandate to the objectives of the Potash Corporation of Saskatchewan, and you will see that in fact that the mandate is somewhat similar.

Now the Cape Breton Development Corporation, Devco, was created by an Act of parliament of the Canadian government, assented to on July 7, 1967, and came into existence by proclamation on October 1, 1967, as a proprietary Crown corporation, the same way in fact, Mr.

Speaker, that the Potash Corporation of Saskatchewan came into being, that it was a creation of the Act of a duly elected government.

The corporation was established to rationalize the coal industry of Cape Breton Island and to broaden the base of the area's economy by assisting the financing and development of a viable industry, thereby providing new employment opportunities.

Mr. Speaker, I just want to relate that to what Dr. Olewiler said was one of the functions that had been performed by the Potash Corporation of Saskatchewan. Dr. Olewiler asked the question: has the Potash Corporation of Saskatchewan performed in a manner so as to amplify and diversify the economy of Saskatchewan? Dr. Olewiler's response is that, based on the studies that she'd done of the corporation, it was yes. And that's interesting because that was always part of the accepted mandate of the publicly owned Potash Corporation of Saskatchewan, just as it is part of the mandate of the publicly owned Cape Breton Development Corporation, or the Cape Breton coal company now, because it's the major producer of coal in eastern Canada.

There's a direct comparison, Mr. Speaker, in terms of objectives which are outside the narrowly prescribed objectives of maximizing profits for the corporation. PCS, like CB Devco, because it is a public company, has accepted a mandate that has objectives other than maximizing the bottom line.

But these are not the only objectives. I want to read just one paragraph in regards to the description of the mission of the corporation. It says:

The mission of the corporation is to be a dependable supplier of quality coal-related energy products to our customers by operating a safe . . .

Just like Dr. Olewiler said was the mandate of the Potash Corporation of Saskatchewan in developing a safe working environment, so it is with this other major publicly owned resource company, commercially viable corporation, just the same as the Potash Corporation of Saskatchewan was established as a commercially viable venture.

Now, Mr. Speaker, again what's amazing are the similarities between the mandates of the potash corporation and of the Cape Breton Development Corporation, which provides a positive working environment through efficient and effective utilization of human, physical and technical resources with regard to the protection of the physical environment — don't forget this is in 1967, Mr. Speaker, and here we have, just as the Potash Corporation of Saskatchewan did in 1975, set as one of its mandates . . .

The Speaker: — Order, order. We are discussing An Act respecting the Reorganization of the Potash Corporation of Saskatchewan, and I appreciate that the hon. member could no doubt find many companies that he could perhaps draw similarities between, if that was the objective. However, I don't believe that that's directly

relevant to what we are discussing here.

Mr. Lyons: — Well no, Mr. Speaker. In fact, I was only drawing one company because . . . I think you've misunderstood, sir, the point I'm trying to make is . . .

The Speaker: — Order, order. I don't believe I misunderstood, sir, with all due respect, I don't intend to allow you, sir, to draw a direct parallel between two companies, one the potash corporation here in Saskatchewan and one down in Cape Breton, and draw that out in a lengthy debate. We are discussing the Potash Corporation of Saskatchewan, not the Cape Breton coal company.

Mr. Lyons: — Mr. Speaker, thank you very much for your ruling. Let's, perhaps, put it this way. I'll make it very plain so that all members opposite can understand.

Unlike private sector companies whose sole mission in life is to maximize profits, public companies have a different mandate. I refer you, sir, to the mandate of the Potash Corporation of Saskatchewan as outlined in the economic analysis I have just spent some time outlining.

I say that because, when I searched the record across Canada, there is only one other company engaged . . . a publicly owned company engaged in mining, and that is the Cape Breton Development Corporation, which has an amazingly similar mandate to the Potash Corporation of Saskatchewan: protection of the environment; long-term safe working conditions; social goals defined as the interests of the shareholders which are the employees, the community; and the long-term economic good of Cape Breton. Substitute the word Cape Breton in there, Mr. Speaker, with the word Saskatchewan and you will see that there is a distinct recognition of publicly owned mining companies that it has to serve the interests of the wider community and not the narrow bottom line.

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That is the point, Mr. Speaker, that is the relevant point on this particular debate, because what will happen to the communities in the constituencies of the members opposite affected by the privatization of the potash corporation is this: there will no longer be the protection of the environment as a mandate from the Potash Corporation of Saskatchewan, a privatized potash corporation, so you will see the piles of salt that come as a natural result of the development of potash mining growing and growing and contaminating the land and the environment the same way that the salt mountain out at Kalium is beginning to bother the farmers in the rural area around Kalium. You will see that difference between a publicly owned mining corporation and a privately owned mining corporation — less environmental protection.

You will see degradation of working standards in the mines. It is no accident that the Potash Corporation of Saskatchewan leads Saskatchewan — leads, doesn't follow — but leads Saskatchewan in worker protection, in worker safety. When you have a mine like Rocanville, which with over 400 employees can go a whole year without a compensable injury — unless you have worked

in the mining industry you don't understand what a remarkable feat that happens to be. And that remarkable feat didn't happen from accident, it happened because the corporation had a defined mandate that it wasn't going to be the bottom line, but it was going to be worker safety as well which provided its mandate.

That part of the mandate, Mr. Speaker, I submit to you, will this appear along with other aspects, which I'll outline in a minute, when it's privatized? Because the private potash industry hasn't done what the public potash industry in this province has done, and that is put workers' safety up on top of the list — that's what they haven't done, Mr. Speaker.

Some Hon. Members: Hear, hear!

Mr. Lyons: — What the private potash industry in Saskatchewan hasn't done, Mr. Speaker, unlike the publicly held potash corporation, is look at the long-term interests of the community, because we have seen in the activities and the history of the private potash producers in Saskatchewan that they're not interested one whit in this province. They're not interested one whit in the economic and cultural and social well-being of the people of Saskatchewan. They're interested in only one thing, and that is enriching the treasurers to the benefits of their foreign stockholders. That's all they're interested in, Mr. Speaker. That is a matter of public record.

If not, if it wasn't, if in fact what I'm saying is nothing more than political rhetoric, then why was it, when the government in 1972 and '73 and '74 tried to get a greater return on investment, did those same private potash companies turn around and try to kick the people of Saskatchewan in the teeth by lining up with Pierre Trudeau and the Tories and the Liberals to deny us our rightful heritage? If, Mr. Speaker, they were interested in our heritage, they wouldn't have done what they did.

Some Hon. Members: Hear, hear!

Mr. Lyons: — And in saying that, Mr. Speaker, in saying that you contrast that activity with the activity of the publicly owned Potash Corporation of Saskatchewan, whose mandate was far from maximizing some foreign owner's profits, was to maximize all the benefits for all the people here in Saskatchewan each and every one equally; not for the rich, not for the rich, not for the privileged, not for the few, but for each and every citizen of this province. That, Mr. Speaker, is a gigantic difference in mandate, that anybody with any sense of any understanding of what constitutes Saskatchewan, what it is all about, even a gigaTory can understand, Mr. Speaker, that at some point in time you've got to put the interests of this province over the interests of private profit, because that's what the issue resolves itself around, Mr. Speaker.

So I make, Mr. Speaker, no apology to the statement that I made earlier on is that public potash corporation, the public mining companies of this country have served their communities and provinces and shareholders, which are the individual citizens, better than have the private corporations. And that, Mr. Speaker, is ultimately the gulf . . . There's a noted Canadian economist, well an economist who had a Canadian background named John

Kenneth Galbraith, and happened to be from my home town originally, who defined . . . (inaudible interjection) . . . Yes, that's right — who defined the interests between corporations that are privately held and publicly held as this. Galbraith said that it's like dogs . . . they're like dogs on chains, but they will never get together because those chains are tied to two different posts. One post is put out in your front yard to protect you from burglars. Those are the public corporations.

The private corporations are like dogs which are chained in your back yard because they're too dangerous to go near and you'd better be careful when you try to feed them.

Mr. Speaker, that's the situation that we're facing here today. We're facing the pit-bulls of the private potash producers . . . (inaudible interjection) . . . There's a little bit of alliteration versus the guard dogs of the public good, which is the publicly owned Potash Corporation of Saskatchewan. That, Mr. Speaker, that ultimately is the difference, and that is the kind of difference that no amount of attempt to bureaucratically redefine reality can deal with. It's that, in fact, the two dogs that are chained to the different posts are there to perform different functions. And that's a recognition. That's not necessarily to castigate or denigrate one dog over another. I mean, I know some people like pit bulls, but I can tell you, I'd rather have a watch dog — I would rather have a loyal watch dog in my front yard than deal with something that I can't trust.

So, Mr. Speaker, as I said before, the economic analysis, the social analysis that we have developed or attempted to develop . . . and it's just the start in terms of sociology, because in regards to the general remarks I've made to how the potash industry affects individual communities — our general remarks are just those, general remarks — because there is a quantifiable economic impact that one can deal with in each and every community affected by those potash corporations.

And you can deal with that, Mr. Speaker, very simply, on the one hand dealing with the number of people who are directly employed in the potash industries who are resident in the community, or alternatively, the number of people who are directly employed in the potash industry in that particular radius who in fact spend money within the trading area.

You can define, for example, those who live in Kandahar probably go to Wynyard to shop; maybe they go to Lanigan, maybe they go to Lanigan on the way to work, but because of their proximity to Wynyard you could make a relationship like that. And of course it's not a totally exact kind of sociological comparison in terms of its economic impact, but it is good enough that one is able to say that within a regional context — much the same way that Statistics Canada does in determining annual average income on a regional basis — that you can make those kinds of breakdowns.

And I want to be able to deal with that tomorrow, Mr. Speaker, in my remarks, but before I do that, before I get into that I just want to conclude tonight with a couple of general comments over the debate.

I have already said that I think it's incumbent on the members opposite to refute the economic analysis of those economists which takes the view that the Saskatchewan Potash Corporation has been a positive investment for the people of this province. And I say that not to . . . and I've said it, I think I've said that once before, but I say it again because in the context of as this debate has unfolded in this legislature, there have been very few government members that have had the political go-ahead from their whip — or however it's operated in the Tory caucus — have had that political go-ahead to speak on this issue and try to develop an analysis to the same length that we've developed.

I mean, that's a fact, and it's not a question of — obviously we are here, and we're going to do everything we can to save the potash corporation for the people. And of course we make long statements when short statements may suffice, but at the same time, within that context, what we have done is try to present the most rational argument based on the best available data that we're able to find across Canada.

If, as some members suggest, that that's the function of legislators to make those arguments and that based on that available data, opinions change, well in theory I suppose that's the way it's supposed to work, but in reality we all know it doesn't work that way. So in reality we all know that we're going to have to — all of us on this side of the House, as well as the people of Saskatchewan who are opposed to the privatization — engage in other means which are democratic, in fact I would suggest more democratic given the somewhat perverted nature of the debate. Perverted, not in any sexual sense of the word, but perverted in the sense that if in fact we were all individual members putting forth rational arguments, and if other members were swayed by rational arguments, it would appear to me that, well, we've put out a whole series of rational arguments, all of which lead to the conclusion that selling off PCS is economic lunacy.

The other side has not done so from their point of view. Not once have they got up and said, here is what the real story with PCS is; here is what the reality economically of the potash corporation is; here is why it's necessary to in fact distance ourselves because of these supposed volatile nature. But the member from Regina South talked at some length about the volatile nature of the potash market. I have proved beyond any reasonable doubt, for that member or for any other member, that in fact there have been two major cycles in the potash industry and that the volatility that that member implies is not there.

And I use that as an example, I use that, Mr. Speaker, as an example of that, because the minister can stand there and make those kind of statements and doesn't even attempt to back them up with even a semblance of fact. One of the things I am so proud of, Mr. Speaker, about the caucus and our side in this debate is that we have stood here, gone toe to toe with these people, put forward the facts, the facts which lead and which support our conclusion that to sell the potash corporation to foreign interests is nothing more than economic insanity.

Some Hon. Members: Hear, hear!

Mr. Lyons: — And that in fact it is incumbent upon us to fight in every legitimate way that we can to save the potash corporation from that bit of insanity.

I don't know, Mr. Speaker, I don't know what else we can do inside this legislature except do what we're doing. What do you do when you put forward arguments which you know to be true, which you know the other members know to be true, which they won't respond to except sit there like bumps on a log, because they don't have any answer to the arguments you're putting forward.

You know, what else is one expected to do, Mr. Speaker. I mean, it's been exciting, I suppose, in one sense in terms of the politics that we've gone through, but I can tell you this, it has not done anything to enhance the reputation of that side of the legislature by engaging in the kind of tactics that they have, which is sitting there trying to let the opposition wear itself out by putting forward the truth. Well I can tell you this, Mr. Speaker, in the debate on potash the truth will out, and the truth will not wear out, because the people of the province know that what we are saying in regards to the Potash Corporation of Saskatchewan is the truth, is the whole truth, and has been nothing but the truth, and will not be anything but the truth!

Some Hon. Members: Hear, hear!

Mr. Lyons: — And, Mr. Speaker, the truth is a powerful weapon. The truth is a powerful weapon. It has cut down the chains that have bound many. And it is true that the truth will set you free, just as the truth in this debate will set us all free and will set the people of Saskatchewan, in this province, on the path to economic freedom when the resources of the potash industry are maintained either now or after the next election in their hands.

Some Hon. Members: Hear, hear!

The Speaker: — Order, order. It being 11 o'clock the House stands adjourned until tomorrow at 2 p.m.

The Assembly adjourned at 11 p.m.