

EVENING SITTING

SPECIAL ORDER

COMMITTEE OF THE WHOLE

Bill No. 20 — An Act respecting the reorganization of the Potash Corporation of Saskatchewan**Clause 1 (continued)**

Mr. Shillington: — Thank you very much. It has, Mr. Minister, been a couple of days of disturbing revelations. We came to understand yesterday that there is very little protection against a foreign domination of this Saskatchewan enterprise. Undoubtedly the largest mining company in Canada, and the largest potash mining company in the world, something we used to own, we used to control, and we used to benefit from. All of those things have now become they" they will own it, they will control, and they will benefit from it.

We discovered this afternoon, Mr. Minister, that the corporation is being sold for a fraction of its true value. What Mr. Douglas, who was probably the only independent authority, Mr. Douglas stated it to be worth \$2 billion. That shrank to a billion dollars by the time the Premier got a hold of it, and now we're short another \$200 million — it's now down to \$800 million.

In one small respect, Mr. Minister, it's probably fortuitous if closer was brought in. If this debate had lasted another couple of weeks, we would have had to pay them to take the shares away from us, the way this company is dropping in value. That's probably coming. By the time the third week in September comes and the share issue comes, we'll probably pay them to take it away.

In some ways, Mr. Minister, the most disturbing, the most shocking and appalling thing we've learned this afternoon is that the senior officers will be given share options. Undoubtedly, that will have a value, and that is simply a gratuitous transfer of public property to senior officers. And you, Mr. Minister, have made no attempt to justify that. How do you justify giving public property to officers who are already being well paid? I'm not suggesting they have not in any sense, earned the pay they have been paid; I suspect they have. I suspect they've done very competent jobs.

Mr. Minister, you propose to transfer to them share options. I attempted to point out to you, Mr. Minister, that they have a value. It was your argument that they do not necessarily have any value. I pointed out to you that any right to buy something in the future at a given price has a value. I pointed out by pointing to a particular share which now sells for \$3. A right to buy those shares two years hence at \$10 has a value. So, Mr. Minister, I suggest to you those share options have a value.

There can be no justification for this gratuitous gift to the senior officers, Mr. Minister. They have been well paid and, I suspect, well treated. I suspect they have also run the company competently. I'm not suggesting they're overpaid or they have in any sense been treated overly

generously. But at this point in time, they are public servants who have a trust and who are managing public property. They are not private buccaneers who have their own property and have the right to do with it what they will, to gamble with it as they will. They are stewards of public property, and for them to be enriching themselves . . . for you to be enriching them — I'm sorry, that's an unfair comment. For you to be enriching these officers, Mr. Minister, at the public's expense, is completely unwarranted.

Mr. Minister, when a similar thing occurred with respect to the former Paul Schoenhals . . . I was no great admirer of Mr. Schoenhals and I don't think I ever left him under any impression. I was for three years, Mr. Minister, his critic. But I will say this, Mr. Minister, of Mr. Schoenhals, when the matter was brought to his attention, he corrected it. The share options were quashed, so to speak. They did not go forward.

I ask you, Mr. Minister, if you won't reconsider this at this point in time, and if you won't, Mr. Minister, give us your commitment that there'll be no share options to these officers out of what is essentially public property.

Hon. Mr. Lane: — We have gone over the arguments now, I think, on the control argument I would suggest in the last two days some 10 times, and I have restated the arguments that the NDP are not correct when they talk about control going outside.

And I have said that the legislation dealing with the potash corporation makes provision: one, that no individual or corporation or country or agent whatever of a country can own more than 5 per cent, and they can't group together to pool their voting. There's prohibitions against that. Five percent is not going to get control, and that level of 5 per cent makes it quite clear that people that will invest up to the 5 per cent limits will tend to be institutional investor or passive investors.

Secondly, the matter of foreign control: they are limited to 45 per cent of the shares, but there is a severe limitation on their ability to vote those shares. It's 25 for that 45 per cent. The shares, even if they took them all up, still only results in an ability to vote 25 per cent of the votes cast at the meeting — of the votes cast at the meeting — not 25 per cent of the votes, but 25 per cent of the votes cast at the meeting, which has a serious reduction in the voting powers of the shares owned by non-Canadians.

An Hon. Member: — Would you explain that . . . (inaudible) . . . 36th time, please.

Hon. Mr. Lane: — Well I appreciate and I have some sympathy for the comments made from the member from Saskatoon Fairview, but I'm not the one that sit and raise the matter of control again for the . . . how many times did you say?

An Hon. Member: — Thirty-six.

Hon. Mr. Lane: — Thirty-six. I thought it was about 12, but I will bow. I'm sure it sounds a lot more like 36, but I have indicated that I would respond to those. So that the

matter of control, in my view, has been answered, I think been answered fairly, and I think has been answered to the point where the limitations on the voting provisions for non-Canadians will in fact ensure that people will buy the shares, the institutional investors, for investment purposes.

So now the member from Regina Centre says he's shocked and horrified and appalled, and I forget what else, 'm not sure — dumbfounded, or whatever — when he talks about the valuation, because he says the potash corporation is being sold for less than its fair value. And I have made the argument numerous times this afternoon that the value is what people will pay for the asset. The valuation isn't what the NDP think its' worth. The value of the potash corporation is not what the NDP say it's worth. And so it's what the investment advisers think that the market will pay for.

And then I find it interesting that the same member . . . And we went through the debate this afternoon with the Leader of the Opposition, that the NDP now say that Mr. Douglas is the only independent expert, and Mr. Douglas has stated that it is undervalued, that the replacement value would be considerably higher. And that's Mr. Douglas's argument.

And I freely acknowledge that the market value or the value that the market will pay will be considerably less than replacement value. And I have indicated to the hon. member, Leader of the Opposition, at least, this afternoon, that replacement value, if people could go out and build mines at replacement value and make money, there would be mines all over the place. Replacement value does not necessarily reflect on what the market will be.

I've given two, I think, fair examples. If someone in the city of Regina goes out and builds a million dollar house beside the sewage lagoon and someone comes along and says, I'll offer you \$25,000 for that house, and he said, no, it's a million dollars, the replacement value is a million dollars. It's not what people will pay for that house beside the sewage lagoon, it's what the market will pay that determines — not the replacement value of that house.

If someone in Saskatoon builds a \$5 million house beside a packing plant and someone comes along and says, I'll offer you \$50,000 for that house beside the packing plant, and they say, well I paid \$5 million in replacement value, that's \$5 million. The other person says it's not worth \$5 million to me next to a packing plant; this is all that it's worth. And that's what the market will pay for it.

I gave you the third example: if someone has a \$20,000 automobile, they've had it for a year; someone comes along and says, I'll offer you \$15,000 for your car; the person says, no, replacement value of that car is \$20,000. It's not what the market's going to pay for that. So the argument of replacement value is not one that necessarily reflects what people will say. And as I said earlier, it's not what the NDP say that the market value is, I think it's what the experts say it is.

And you quoted Mr. Douglas along those lines and you say he's independent and you hold him up, but I find the

New Democratic Party somewhat hypocritical — somewhat hypocritical, and I'm being polite, I'm being polite. But the same Mr. Douglas that the NDP quote as being an independent expert is the same Mr. Douglas who says, who says, "U.S. Fertilizer expert says Cargill deal can't miss." That's the report of Mr. Mandryk of the Regina *Leader-Post*.

Saskatchewan (and this is Mr. Douglas) will miss a glorious opportunity if the provincial government backs away from the plans to build the \$350-million fertilizer plant with Cargill Ltd., says a leading independent U.S. fertilizer analyst.

And he goes on, he goes on to say, but that same Mr. Douglas says . . . The NDP say that this Mr. Douglas I the expert and they hold him up as the basis for one of their arguments.

But independent fertilizer analyst, (Mr.) John Douglas — a leading fertilizer marketing expert with more than 40 years in the business — says it's not the case and the Saskatchewan government would be foolish to proceed with the smaller, inefficient Rosetown operation.

Now I'm prepared, if you want to persist in the debate, Mr. Douglas, to continue to quote further from the article. I think I have set down a couple of salient points from Mr. Douglas. So on the one hand you hold him up; on the other hand you disparage him. So what I suggest to the hon. member is somewhat inconsistent.

Now let's deal again — and I think this one will probably be for the fifth time because the only one that has difficulty understanding is the member who asked the question — and that deals with the matter of warrants or shares. Today he was thoroughly confused when he got up this morning and did not know the difference between warrants and he talked about the prices in the financial paper that he was referring to, not realizing that warrants are publicly traded instruments that people can buy and share which give you a right within a certain period of time to buy the shares.

(1915)

Let me tell you the difference on options. Options are issued as an incentive. But the option will be — understand this — the option for remuneration and incentive works this way: that say the share price at the time of the issuing option is \$10. Management doesn't get it for a dollar; it gets the right to buy at that value. If management performs pursuant to their contract and gets the share value up to \$20, as an incentive they are able to take their option at the \$10 when they started. It doesn't revert back to zero, it doesn't revert back to a gift, it doesn't revert back to a nominal payment. That's not the way the remuneration options work for senior management. They come in at the time, if they're starting employment, for example, the value of the share at the time they start employment. And so then from their efforts, and according to the contracts, increase from that time is usually the benefit that they receive.

You say that that is a gift; it's public property and all that. Your argument is a silly one, with the greatest respect. It's not the way it works. And you say that you are opposed to options for senior management. That's fair enough. We have agreed to disagree.

I do suggest to the hon. member, however, that the use of options as an incentive for senior management is common commercial practice with most of the larger corporations in the world today — all over the world, with some obvious exceptions.

But let me tell the hon. member that the use of options, I believe, is good commercial practice, it is a good incentive for management, it is accepted by companies throughout the world. And I happen to believe that they are an appropriate vehicle, obviously not the sole one, for both rewarding and encouraging management.

So you disagree; fair enough. You say that there shouldn't be options, that management should not have incentives. That's your view; We differ on that. Same argument we've been over right through and several times today, and you know, it's nothing new but I've just restated the positions.

Mr. Shillington: — Well, Mr. Speaker, let me just make one comment with respect to the Cargill grain . . . we have never said it won't work; we've just said it's going to work with our money, and there's no reason for it to be working with our money to the detriment of some smaller plants. Let it work with their money. We've never said Mr. Douglas isn't right. We just dispute the need to put public money into a project which is being promoted by the world's largest grain company.

Mr. Speaker, that aside, I well understand the difference between a warrant and an option, and the only difference is that a warrant is traded publicly and these options are not, and that is virtually the only difference. Mr. Minister . . . ah, the minister shakes his head in a fashion which is silly, it is really silly. Mr. Minister, a warrant is a right to buy a security at a given time in the future at a given price. An option is the right to buy a given security at a given price at a given time in the future. They are exactly the same and they both have a value.

Let me refer you, Mr. Minister, since your memory seems to be conveniently short, let me refer you to the Saskoil options. These were . . . (inaudible interjection) . . . That's right. The member from Swift Current says he never forgets. That means that his apparent forgetfulness has to be a lack of integrity. With that I entirely agree. He never forgets except when it's convenient for him to do so. The member from Swift Current is a shrewd judge of the ministry of truth.

Mr. Minister, the share options which were initially designed to go to the officers of Saskoil would have given them the right — and this legislation was passed in the fall of the year — it would have given them the right to buy common shares at \$9 a piece on February 28, '86. On February 28, '86 the shares are worth a little over \$10 a piece. That means that the options were worth \$1 each. There were 50,000 given to the senior officers. That would have given them an incremental value of \$50,000.

Mr. Minister, we wondered at the time why people who were transferring public property to the private sector should help themselves, get their sticky fingers in the trough as it went by. Mr. Schoenhals, to his credit, agreed and the matter was struck.

Mr. Minister, I for the life of me can't understand why these people are different. I just cannot understand why they should enrich themselves. What is it about them, Mr. Minister, that makes them more worthy than anyone else?

Why don't you give this to some of the people in the centre of the city who do not have enough to eat? Why don't you give them some options? Why don't you, Mr. Minister, give the options to some of the charitable institutions who might try to feed and clothe the people that you neglect, the people that the Minister of Human Resources never tired of flailing and criticizing? Why are these people so much more worthy than all the rest?

Mr. Minister, one of the prevarications which you have foisted upon the House this afternoon, outright — outright — one of the things that you've told us which cannot be accurate and I cannot believe you think it's accurate, is that this entirely a matter for the new board of directors. Mr. Minister, you're going to present them, you're going to appoint the new board of directors. And then the old board of directors who apparently are the officers, the old board of directors are going to come to them with an agenda, one of which is going to be this — the options, because these were promised us.

And what are the new board of directors going to do? Are they going to exercise independent judgement? Of course not. Mr. Minister, you have made the decisions here and now that these good people get options which are likely to be worth a good deal of money. And you owe us an explanation and you've given us no explanation at all, you have simply stonewalled.

I am very, very angry with this process, Mr. Minister. I'm angry that you're giving away hundreds of millions of dollars of property that belongs to Saskatchewan people, and I am angry, Mr. Minister, that some of it is slipping into the hands of people who have already been fairly well treated by the public of Saskatchewan. I am very angry about that. Mr. Minister, if my anger is misplaced, then you own me an explanation. You owe me something besides the stonewalling to which we've been subjected for one and a half days.

Some Hon. Members: Hear, hear!

Hon. Mr. Lane: — It's unfortunate that the member's ignorance of commercial activities makes him angry. I can understand his frustration when he doesn't know or doesn't understand.

But let me give it to you, the example, this way let us assume, and I say I know I'm going to give this example because you and your perverse mind will treat this as the facts of exactly what's going to happen, but let me say I'm using this as a way of an example.

Let us assume that the shares are issued to the potash corporation at \$10. Let us assume that the new board

gives options to senior management as part of an incentive package, and that option is . . . (inaudible interjection) . . . yes, they are, they come in at the time they start the contract with the value is at that time. Let's assume it's instantaneous, which is your argument. So now they have got this right to buy shares at \$10, the same as everybody else has the right. There is no gift, absolutely no benefit.

But what happens in the future if over a period of time they've got the right to buy at \$10 like everybody else, but as part of their remuneration or incentive package, the new board says, if you can get the price of shares that run this company, we've got some incentive package. That is very common in industries, like I say, around the world.

So if after a year they have got the price of the shares of the potash corporation up to \$20, and all the investors have done better and all the shareholders have done better and doubled their money, yes, they will then have that option to go back and buy them at 10. They have increased the value, okay, because of the incentive program. But they don't get a gift at the beginning, as you say. They don't get this raping of the public trust, as you have said. That's not how it works. Unfortunately, you don't understand how it works.

So I have no responded several times to the hon. member. And you say that is the difference between a warrant and an option. He says there is no difference. These options are not transferable in most remuneration packages.

An Hon. Member: — That's the only difference.

Hon. Mr. Lane: — Oh now he says, the only difference. Now he's backed off; now it's the only difference.

I'll tell you another difference. They don't necessarily have a value. It's not a transferable value. That individual executive can't take his options to buy and sell them to anybody else. He can't sell them to anybody else. On warrants, you can trade those. You can buy and sell warrants. Okay? They're publicly traded. Anybody who wants to get into that can do that on any stock markets.

Well some people choose to buy warrants rather than shares. They're related . . . (inaudible interjection) . . . Not necessarily. Some people purely trade warrants.

An Hon. Member: — You can do it all through a share.

Hon. Mr. Lane: — Sure you can. But you, if you're trading on a warrant, you're banking that the price of the share in the period of time is going to go up greater than the value of the warrant . . . (inaudible interjection) . . . No, but the argument made with the hon. member and what he doesn't understand is that you come in on your options, you come in on your options at the time you start . . . what their share value is at the time you get the options issues to you. That's the way they work on the incentive program.

So you have to get the price up. It's to your advantage as

an executive to get the price up to have an opportunity to buy those shares at that option price. That is standard practice in commercial activity — standard practice.

Now I can restate the argument many, many time, but you can . . . I'll tell you what. Let me put it to you this way. Let me put it to you this way. I will make the following offer to every member of the opposition. Because the famous lawyer from Regina Centre says there's no difference between an option and a warrant, I'm going to give you the right to buy warrants in the potash shares.

I'm going to give you the right to buy those warrants at the same price that everybody else gets them, that you can buy on the open market, and it's going to be special. It's going to be right for the NDP in the opposition that they want, because the warrants, the warrants and the options are the same, according to the member from Regina Centre. I'm going to make sure that the New Democratic members have the right to get warrants in the potash corporation share issue. And I'll make sure you have the right to buy warrants. I'll be interested to see how many buy, but I'll make sure you have the right.

Ms. Simard: — Mr. Minister, if these options have no value, if there's no value to them, why are you giving them to the employees and senior management of the corporation?

Hon. Mr. Lane: — I gather we are going too fast. What I said this afternoon was — okay? — that the new board of the PCS inc. will sit down, negotiate the employment contracts of senior management. Okay? I said that. I did not say they were going to get and give options. That was a statement by your colleague. I said it would not surprise me if, in standard commercial practice, they put into the remuneration and incentive package the right to options. I did not say it was going to happen and I did not say I was going to do it.

Those were his words, not mine, and I think the hon. member understands how the process will work. But I have said and I have defended the use of options as a common and commercially accepted part of an incentive program for senior management of most if not all large corporations.

(1930)

And I have said . . . The hon. member says he doesn't like the use of options, and what I have said is how the options work. It will be at the time . . . the share value at the time, so that an increase comes through, at least in part, through the endeavours of management, to be decided by the board that they will get those options. Those options are not tradable.

When I say they're not tradable, I would assume that they would be transferable, perhaps, or exercisable, depending what happens in the case of say, the death of the employee. I understand that in some cases that the option value may be fixed at that time and given to the surviving spouse, but that's transferability not in a wide sense, and I think you understand what I'm saying.

But if the employee does not exercise the option, and if

the employee leaves the employ of the corporation, then the options have no value. They certainly have a value in the situation where, through the efforts of the employee, the value of the share has increased; then certainly at that point there's a valuation. There's a value, but not a tradable value; not a value that you can determine in advance, and not a tradable one. But I have defended and I have said that the use of incentive options for senior management is a program that is commercially acceptable.

Ms. Simard: — Mr. Minister, you have then acknowledged in our comments that there is a value to these options, and that is the reasons why you're offering them to the management. There is a value. It may be the same, the \$10, as you point out, but the fact of the matter, there is a value to the options. You've said it.

Number two, you have also said, Mr. Minister, that you are not saying this is going to happen, that the new board will. But, Mr. Minister, you support the concept of share options to senior management. You support the concept. You've just admitted it has a value; you've just admitted your support the concept. In other words, it's going to happen, Mr. Minister, unless you say otherwise today.

The point I want to make, Mr. Minister, is the fact that we have a situation here, and you say you can't tell us just what this is going to mean to the corporation and to the citizens of Saskatchewan in terms of thousands of dollars; you can't put a figure on it, you can't evaluate it at this time. It's much like everything else you've said in the last two or three days — you don't know. I don't know — that's your answer to 99 per cent of the questions that we've been asking here.

You're prepared to do it; you support the concept. It may cost tens of thousands of dollars, but you don't know, Mr. Minister. That's the basis on which you're privatizing the heritage of the people of the province of Saskatchewan.

We have a situation here where a gentleman from the United States — who is an employee of IMC (International Minerals and Chemical corporation (Canada) Ltd.), one of the potash corporation's competitors, of a multinational corporation — Mr. Childers, comes here; under our direction he sets up the potash corporation for privatization, and as a result of that is going to benefit through share options that you, Mr. Minister, support — benefit on the backs of the people of Saskatchewan, Mr. Minister.

That's what's happening here. And I think that's very important and the people of Saskatchewan should be fully aware of what is happening as result of this. It is a further example of the PC government paying off its friends who are attached to large multinational corporations — another example of that, Mr. Minister.

Some Hon. Members: Hear, hear!

Ms. Simard: — Now, Mr. Minister, my question to you is whether or not you are prepared to stand in your place today and say that you will ensure that the share options will not be a part of the negotiation and agreement that take place between the new board of directors and the

management of the potash corporation.

Some Hon. Members: Hear, hear!

Hon. Mr. Lane: — Let me restate again for the hon. member: let's assume — and I know that this will be misinterpreted — that the shares of the potash corporation are introduced or issued and they're \$10. Let's assume \$10. Please, I'm not saying that's what the issue price is going to be. I said, let's assume \$10 at the end, and senior management are given options, based on performance, to acquire shares in the potash corporation. They're given those options. Let's assume again that it happens all at the same time. They will get their option, if options are granted, at the \$10. Okay?

At the end of the year, they have been successful in getting up the share value of the potash corporation 50 per cent . . . 100 per cent to \$20, \$20. Then depending on the term of the option, they may well be able to go and buy those shares at \$10. As part of their incentive package, they would have got a benefit. It's part of their incentive package. It's part of their incentive package.

Let's assume the price goes down. Let's assume that the price goes down; don't exercise their options. Let's assume that the option is exercisable, as I gather it can be in some cases, for a fixed period. Let's assume that it's six months and that the \$10 price doesn't change for six months. The option isn't worth anything. The warrants may be exercisable over a matter of a year. Those warrants could still have a value, even though the options may not, in that scenario.

So the fundamental question is this: the NDP — and I'm surprised; I thought there was only one that would take that position, but now there are two, and is perhaps a little more pervasive than that — say that the potash corporation should not have options in their incentive program, the new potash corporation, for senior management.

Let me tell the people of Saskatchewan what that means, is that the NDP say that there should not be an incentive for senior management to improve the value of the shares. That's what the NDP say. They're somehow against that, and I can't see them being against that anything other than philosophical. On this I will agree with the hon. member, and I found it . . . She said that we're rewarding our friendship the big multinationals.

An Hon. Member: — Right.

Hon. Mr. Lane: — Now the member from Saskatoon says, right. He says right. You know what that multinational corporation is called? It's called the Potash Corporation of Saskatchewan. Those are the senior executive that would get the shares, the options.

And yes, the potash corporation is a multinational corporation. But it's you that have just made the allegation of rewarding the friends. The ones who will get the remuneration package obviously are senior management. The ones who will get the incentive package will be senior management.

I don't understand, conceptually, why the New Democratic Party would stand up here and be opposed to giving incentives to management to have the company perform better — okay? — to have the company perform better. The value of the shares goes up, the value of the government's holding goes up, everything benefits.

If we let the employees have shares, it's to their advantage to have the share price go up, not down. What's wrong with letting the employees have shares? NDP say no. I, like most people in this province, don't understand the NDP's position on this. But you've stated it and in fairness you have been true to your position that you are against that type of activity.

So we have a difference of opinion. The difference of opinion was stated about 8:30 this morning when the hon. member from Regina Victoria first raised the matter. So here we are nearly 12 hours later talking about the same issue — a different minister in this time — -but the hon. members may not agree with the answer. But we happen to think that incentive programs are a good idea and that a reward for employees getting a better performance is a good idea.

Mr. Rolfes: — Thank you, Mr. Chairman. Mr. Chairman, I would just like to enter the debate for a few minutes. Mr. Minister, if I was the senior management I would take great exception to your comments this evening. What you have alluded to this evening is simply saying that the management hasn't been doing their job. If the management today isn't going its job then you should have done yours and fired them a long time ago.

But I don't agree with you. I think we have professional people, professional people who know what their job is, and they do their job. And for you to say today that unless you give them an incentive these people that you have running the corporation aren't going to do their job, if that is the situation you're in, then you should fire those people.

They are professional individuals and I think you hire them because of their expertise; you pay them for their expertise. And I just don't agree with you that you say that these options, these share options have to be given to the senior people of the corporation. I don't buy that, and the people of Saskatchewan don't buy that.

There is a difference, Mr. Minister, between the pot and another commercial company, and this is that you're dealing with public funds. This is public funds and it is not commercial funds in the private sector. And you have an obligation to protect the public and not to give away — give a way — to these people who already are getting huge salaries, huge incomes to run the corporation well.

And if you say, Mr. Minister, as you've said in the past, we've got the best management around, then why, Mr. Minister, do you have to give away . . . You could be hundreds of thousands of dollars to the management in order for you to say that, I've got to give them incentives so that they improve the company, the company's position. That is a nonsensical argument and I think it's an insult to the management; that's not necessary.

And for you to say that these options may not have any value, let me turn you to Madsen Pirie, who is your consultant on this whole privatization bit, and you're following exactly what Madsen Pirie has told you many, many times. What you do if you want to privatize is, you undervalue the shares. That's what you do. When you want to sell, you undervalue.

You do that for two things, for two reasons: one is that so you can get the people to buy and have a big sale and you have 30, 40, or 50,000 people who are out there supporting you, saying that's a good deal. The shares go up. These people sell their shares and then they are positive on privatization.

Now, Mr. Minister, we all know that those shares are going to be undervalued, and therefore there aren't any if's or but's, the management option shares . . . Their share option will mean that they will make huge sums of money. There is no doubt about that.

The Potash Corporation of Saskatchewan is a valued company — we all said that — and I'm very disappointed that again that you didn't learn from your previous experience with Saskoil, that that option was not acceptable to the people of Saskatchewan. You have not given us any indication today at all today at all what analysis you have done on the valuation of the company. We have no indication of what you think or your management thinks the company is worth.

(1945)

We have private people saying it's worth \$2 billion. The Premier goes to the Far East and says no, it's only worth a billion dollars. We have ISE (Institute for Saskatchewan Enterprise) saying well, it may be worth 500 million, maybe 700 million, 800 million. You don't seem to have done an analysis at all on the value of the Potash Corporation of Saskatchewan, and I don't think you want to do one. You don't want to do one simply because you want to undervalue the shares so that you can have a quick sell and that the people who will buy those shares will be out there speaking positively about privatization. But in the meantime, the vast majority of the people of Saskatchewan, who can't afford to buy shares, are the ones who are going to be paying the price.

Mr. Minister, isn't it true that Madsen Pirie has advised you, you and your government, to undervalue the shares, and is that what you are doing in the Potash Corporation of Saskatchewan? Are you going to give us a guarantee that those shares will be valued at the market price, and what guarantee can you give us that that is going to be done?

Hon. Mr. Lane: — Well I'd like to respond first of all to the hon. member's comment when he said if he was senior management, he would be insulted. If he was senior management, this corporation would have been down the tubes a long time ago, Mr. Speaker, if the hon. member was senior management.

An Hon. Member: — How do you know?

Hon. Mr. Lane: — Just on track record from the hon. member.

But let me . . . He says it's an insult that you have to give options, and I suppose you're going to stand up here and say that you didn't give options to senior management in some in some of the Crown corporations, when you were government. Oh now . . . I mean, you didn't give incentives. You certainly gave incentives. You certainly give incentives to senior management. You didn't give options because there weren't shares. I acknowledge that, but you gave incentives.

To some of your colleagues . . . (inaudible) . . . He's just stood up and said it's an insult that you have to give these people incentives; that you need to give them incentives to perform more. That's just what he said. That's just what he said. And another NDPer sitting here, freely admitting that they gave incentives to senior management; incentives to senior management are good commercial practice. Even the NDP that were involved in the commercial side when you were government acknowledge that. So now you're concerned about the form of the incentive. You're against the incentive; others were against the form of incentive. And now I give my position that not unlike — and on this one we agree — not unlike the New Democratic Party, who recognized if you want to attract top-flight people, they want some incentives and they want to be recognized for performance. You are sitting there all alone in your isolation disagreeing with incentives as sound commercial practice.

And now we talk about undervaluing. That is the same argument that was debated by the then leader of the opposition in Saskoil. We were selling it too cheap, they were selling it too cheap, and we did and I think they went out at what . . . not 10. They went down to five within a very short period of time after they were issued . . . (inaudible interjection) . . . they did, they did so, they did so go down. So I mean, several years later we hope that they go up, we hope that they go up.

So you're underselling, and I always recall talking to one of your colleagues after that argument, made by the then leader of the opposition, he said jeez, maybe we should go out and buy these things, they're coming in cheap. He helped sales, he helped sales. So did you.

An Hon. Member: — So did I. I told all my friends to buy.

Hon. Mr. Lane: — Did you? Any NDP buy?

An Hon. Member: — Sure they did.

Hon. Mr. Lane: — Well I'm glad to hear that the NDP are acknowledging that NDP are in fact buying the shares. I suppose I'll be interested to know the hon. member's position with the party policy, which you're going to expropriate it back for a dollar and what you're telling them about your advice to go and buy the shares.

So, in fact, one of the points made in the minutes of the meeting of the Crown investment corporation when your senior people discussed the SHAR (Saskatchewan

holding and reinvestment) issue or the proposal for public investment in potash and several others as proposed by the NDP, one of the risk that was stated in that by the NDP was, well what happens if the government is seen to be saddled with an investment that is not performing or it's going down.

And that's right. That's one of the risk. That's one of the risk. And this government took that risk with Saskoil and prices went down, prices went down. Now they've gone back up, but prices went down. And that is a risk of the market-place, that is a risk of the market-place.

Now you say, what guarantee do you get that you're going to get market? On the one hand, you're critical of the commissions payable to the investment houses that will sell the shares, but their commission is one of the advantages to them of trying to get the price as high as they possibly can. That's why they're on commission. You pay your real estate salesman not to just get rid of the house, you pay your real estate salesperson to go out and get you the best price get you the best deal. That's why you hire those people to do that.

So these people are paid a commission to get best price, widest distribution. That's what they're paid to do and that's why we use them. Now you're critical of using them, you're critical of paying them. And I suggest to the hon. member that that's the business that they are in. they can do better by getting the higher price, and that's what they're on commission to try and do.

Mr. Rolfes: — Mr. Chairman, I'd just like to respond to the minister. Mr. Minister, you say we are in isolation. I can tell you, it feels good to be in isolation with two-thirds of the people of Saskatchewan behind you.

Some Hon. Members: Hear, hear!

Mr. Rolfes: — It feels good to be in isolation. Mr. Minister, you talk about a record. I'll tell you . . . (inaudible interjection) . . . No, I haven't got training in being a top management official and I didn't say that I was. But I can tell you I'll put my record against yours any time in public business.

Some Hon. Members: Hear, hear!

Mr. Rolfes: — When we were in government, Mr. Minister, in case your memory doesn't serve you well, we had 11 balanced budgets and surpluses; you've had seven deficits, Mr. Minister.

Some Hon. Members: Hear, hear!

Mr. Rolfes: — Mr. Minister, maybe that's why you need an incentive. Maybe that's the only thing . . . Maybe that's your problem. Maybe the Premier should have given you an incentive. Maybe you would have performed better, instead of being out \$800 million on our deficit.

Mr. Minister, you're going to have some trouble trying to explain to the people of Saskatchewan, and I don't know what the salary is of your president, but you're going to have some difficulty trying to explain to the people of the province of Saskatchewan, when a president gets 170 or

\$200,000 a year running the Potash Corporation of Saskatchewan, that he needs an additional incentive by share options which could give him and other senior managers hundreds of thousands of extra dollars of public money. That is public money.

Mr. Minister, we're quickly coming to a close on this debate, and I want to say that I'm very saddened today, very saddened because you have taken the decision to auction off one of the biggest corporations that Saskatchewan has had for a number of years — probably will be the biggest. And, Mr. Minister, in the Potash Corporation of Saskatchewan we had an option for our children to determine our future, for them to determine their future, and you are auctioning that off.

And, Mr. Minister, what disturbs me more than anything else, you've not only made history today in that regard, but we've made history also in this legislature in another regard, and that is that we ourselves are not determining the future, but we've let non-residents, we've let non-residents determine our future. We have allowed, Mr. Minister, in this legislature — in this legislature — for you to be informed, for you to be informed by non-residents as to what the future should be of our children in this province.

That disturbs me, Mr. Minister. That makes me angry. Surely we have sufficient talent in this province, in this province, and we have enough know-how in this province to make those decisions ourselves. We don't need to bring in non-resident people to write for you what the future ought to be in our province. And now, Mr. Minister, I find out not only that, but you are going to say to these people, we are going to give you an additional incentive, an additional incentive for you because you have given us a direction in selling off the future of our province.

You are asking me to accept and the members of this legislature to accept that we should allow non-residents, not only to determine how we should develop our future, but determine how our Potash Corporation of Saskatchewan should be sold off. And then you say to these people, now we will give you an added incentive, an added incentive of hundreds of thousands of dollars of public funds as incentives for selling off the future of our children. And, Mr. Speaker, that I regret.

And I hear the Minister of Education again babbling from his seat. And I say to the Minister of Education, if you had taken more interest in your portfolio, maybe some of those children that are leaving this province wouldn't have to leave and would have some future here.

Some Hon. Members: Hear, hear!

Mr. Rolfes: — Mr. Minister, my comment to you is simply this: I don't accept . . . First of all, I don't accept that we should sell off the Potash Corporation of Saskatchewan to foreign interests. Number two, I resent that foreigners will determine how that corporation is being sold off. I resent that. And thirdly, I resent that you then say to these foreigners, now here are additional public funds because you have sold off our profits and our resources. I resent that and I know our children's children will resent

that, and, Mr. Minister, I want to put that on the record. Thank you very much.

Hon. Mr. Lane: — Well we've been through this debate several times and the NDP say they hate foreigners. And we talked last night . . .

An Hon. Member: — We don't hate foreigners.

Hon. Mr. Lane: — The hon. member hated foreigners, the hon. member from Moose Jaw, foreigners. They hate the foreigners in the potash corporation. You know, and I stated last night, because I was trying to debate fairly with the member from Saskatoon Fairview, that if you take a look at some of the employees in the potash corporations when it was a Crown corporation run by yourselves, you had a very senior person from Germany as one of the major very, very senior executives. You had some from the United States. So the potash corporations has in many cases got the best people that it could.

And to say that senior management should be excluded from incentives is contrary to just plain good business. And you disagree with that. And you disagree with the involvement of people from outside the country in the potash corporation. That's your choice. Your attitude is not one shared by many fair-minded people in this province, not many fair-minded people in this province.

(2000)

And so again I can prolong this debate, but you disappoint me with your attitude and your approach. I thought you were a little more moderate than that. However, you have chosen to state your position.

And then you are opposed to foreign participation in the potash corporation.

An Hon. Member: — No, I'm not.

Hon. Mr. Lane: — Yes, you just said buying shares.

An Hon. Member: — No, I just said don't sell them off.

Hon. Mr. Lane: — Oh, period. But then you said you also resent the ability of non-Canadians to buy shares in the potash corporation. And we have gone through probably, and I think the more I go over the argument, the more I think the member from Saskatoon Fairview is closer to the number of times that I've had to do it, which deals with the question, but a very serious one, of what are the restrictions and limitations on foreign non-Canadians buying shares in the potash corporation.

And I have said he doesn't like foreigners, doesn't like foreigners, says the hon. member.

The decision to sell is the government policy decision. You understand that. I mean, you can't have it both ways; you can't blame the officials for doing it and blame the government. It's the government's responsibility for the policy decisions being made, quite properly, whether you agree or disagree. It's our decision, not the executive decision, not the management decision; it's our decision.

And so having said that, there are some very, very severe constraints on foreign involvement. No individual, company, government, whatever, can own more than 5 per cent of the shares. Foreign investors cannot own more — in total 45 per cent. But even if they had the 45 per cent, they couldn't vote more than 25 per cent of the shares voted at a meeting.

So if only four people showed up and the foreigners had 45 per cent of the shares, they could still only vote 25 per cent of the shares at the meeting — shares voted at the meeting. So even at 45 they could, in that scenario, they could only get 25 per cent. And if there were a hundred and the government had 50 and the people of this province had 15, so there are 35, and let's assume that half of those were foreigners, the 45 per cent, and they vote, that 15 per cent held by the people of this province would be a much higher percentage than the 25 per cent could in effect, as I gave the example last night, be 75 per cent. And the hon. member from Saskatoon Fairview understood that.

So I've been through on numerous occasions that there are very, very serious and strong constraints against foreign control and very severe limitations on foreign shares on their voting. They have severe limitations on their ability to vote. Now we've been over that numerous times.

You are opposed to foreign participation. We've put some very severe constraints. You disagree with it. I can accept your argument that you're opposed to it. I can accept your argument that you're opposed to it, at the outset. We've had that debate. The Leader of the Opposition and I had that debate yesterday. We were, I suppose, both prepared to get at it all over again today, but I didn't intend to unless the hon. member insists.

Mr. Lingenfelter: — Mr. Minister, I want to ask just a few questions about the corporation as it will be established. I want to ask about the executive officer of the corporation. Is that structure in place? And can you tell me how many executive officers there will be and their remuneration and expenses? Obviously you will have done that.

I want to say that back in 1985 when we were dealing with the privatization of Saskoil, the minister at that time, who tabled in the House the prospectus, laid out clearly who the executive officers were and their remuneration. I wonder if this time if you would give that to us.

Hon. Mr. Lane: — The new corporation, which will be PCS incorporated, I don't anticipate any change from the senior management that was there with the potash corporation. I mean, I can't envisage — the new board will decide that — but I can't envisage, at least for start up, that there will be any change.

The matter of the question of remuneration will be dealt with as appropriately in the prospectus, which will be filed publicly. As it's a Crown corporation, we have followed the practice; you have followed the practice. As to the declaration of the remuneration for senior executive, and that practice, like I say, has been in operation for several years and that is stated in terms of total amount in the annual report of the potash corporation.

If there is, and I very carefully say, if there is to be any change, that would be negotiated by the new formal board of the Potash Corporation of Saskatchewan incorporated when that board is established.

Mr. Lingenfelter: — Mr. Minister, I wonder . . . Obviously the salary remuneration of these individuals isn't going to go down, I wouldn't expect. Can you tell me what that remuneration is at the present time?

Hon. Mr. Lane: — Well I indicated that the potash corporation and these people right now are employees of the Potash Corporation of Saskatchewan, which is a Crown corporation, and which I have stated the practice in this Assembly has been, under the New Democratic party administration, that the remuneration has been set out as total remuneration paid to the executive. I will get the last annual report and give you that amount.

Mr. Lingenfelter: — Mr. Minister, I'm not arguing now for the precise number for individuals. I would like to aggregate remuneration, and also the number of executive officers who would be included in that. If there's five or six, give me the names and the number of individuals who we are talking about.

Hon. Mr. Lane: — I'm getting that information. I'll apologize, it's not, and it hasn't been put in the annual report but given at Crown Corporations; that's the information that I'm having pulled for you.

Mr. Lingenfelter: — Mr. Minister, I want to say as well that when the Bill was being dealt with back in 1985 that privatized Saskoil, you will know that the prospectus that was tabled clearly indicated that share options in your initial prospectus. Now that was amended obviously because the legislation that was passed at the time changed the option structure. In the initial prospectus, there was 50,000 options allowed for executive officers. We have the same argument. And that time the minister agreed with the opposition, that this was a major problem for the people of the province to accept that the executive officers would get the advantage of a share option on 50,000 shares. And the legislation which was passed in the end changed that to say that the option would be five options for the five officers — one per officer.

And I want to quote from you from the debate at that time and the motion that was eventually moved. It was section 6 of the Bill and amendment that was moved to it. But in part — and I don't have the exact words — but in part it said Saskoil . . . I'll just have to take a moment and find it, but it clearly indicates that the share option which was allowed was restricted to five shares, one per individual. And I'll just get my colleague to find that for me; I've lost it just for the moment.

But it says here:

(Hon.) Mr. Schoenhals — Mr. Chairman, we would prefer the following wording . . .

And I'll send a copy over after I've read it to see if it's satisfactory. This is after a long debate on the share options for executive officers. And the member from Kindersley and others who were there at the time will

remember that debate where the minister stood up and talked about incentives and all of that and then backed away from it. But he said:

That section 6 of the printed Bill be amended by adding the following subsection after subsection (2): (this is the minister himself)

Subsection (3): no more than five shares of Saskoil to form the subject matter of any options to purchase shares of Saskoil given to officers of Saskoil in conjunction with the first primary distribution to the public shares of Saskoil following the continuance of Saskoil under The Business Corporations Act by virtue of the Act.

That's where we ended up after that debate. And I say to you, Mr. Minister, that your argument that this incentive is the only way that employees will work hard is just not acceptable to this Assembly.

What we're saying, Mr. Minister, that if the shares are offered, the option, to the executive of the corporation at \$10, the same as the public, and that option is good for a year — let's use that as the example — an during that year the shares go from 10 to 15, which is not entirely unlikely . . . It could. People could . . . but the thing is, Mr. Minister, the executive officers will have the advantage. They don't have to buy them. If the shares go down, they don't have to buy. But if they go up by \$5, and let's say it's 50,000 — let's say the option is 50,000 shares, the way it was with Saskoil — you can quickly realize how many hundreds of thousands of dollars profit instantly these executives will get. And this is what I think the members of the opposition and the public will be concerned about when the prospectus comes out with that kind of a share option in it.

Now I say to you, Mr. Minister, there is also a decided advantage in having the shares undervalued. If someone stands to benefit directly by having that kind of a share offering — you know that, I know that — that's there's a real incentive here to have the shares valued lower than the market value, because the executive members of the corporation stand to gain a windfall of hundreds of thousands of dollars by being part of or attempting to influence the share offering being valued lower than what is realistic.

So I say to you, why in this case are you doing something different than you ended up in doing with Saskoil?

Hon. Mr. Lane: — Understand one of the major differences between the Saskoil privatization and the potash corporation is Saskoil was a continuance. This is a new corporation. But let me refer to the debate and the reason at the time that the options were considered during the debate on Saskoil, and I'm referring to the *Hansard*, December 5, 1985. And the reasons for the options being considered at that time were not for the purposes of the incentive or anything of remuneration. And I can restate what was being done. The reason for the options at Saskoil debate were:

Upon Saskoil granting options to its five senior officers to purchase Common Shares of Saskoil . . .

it will then cease to be exempt from federal income taxes by virtue of a subparagraph (of the Income Tax) Act. Upon ceasing to be exempt from federal income taxes and ceasing to be exempt from those taxes) subsection . . . of that Act will cause (certain) other provisions . . . "successor provisions," to apply to Saskoil. The successor provisions essentially provide for the continuation of unamortized balances of Saskoil's Canadian Exploration Expense, Canadian Development Expense and Canadian Oil and Gas Property Expense for future amortization but only against income from Canadian resource properties in which it has an interest immediately prior to the event invoking the successor provision.

So the options were being granted in the Saskoil for the purposes of a tax position on the continuation of the company. It was not done for remuneration.

(2015)

So at that point, when that discussion went on, they had a proposal. I forget the number. Was it 50,000? Fifty thousand. When they came back, and I gather both parties agreed that it was an amount not remuneration but to protect the tax position, and the Canadian oil and gas property expense, Canadian exploration expense, Canadian development expense. And so it was determined that a nominal amount would do, allow that protection, which was the reason for their . . . not for remuneration, not for incentive, and so both parties agreed on that.

I suggest to you that that is a fundamental different argument than the argument about options for senior management, if they're granted by the new board, for performance — for performance. And it will certainly be to the advantage of all shareholders if the new board decides that there should be that type of an incentive program for management to enhance the value of the shares. So again, there are differences. There are technical differences in that one was a continuation.

Secondly, the options were given and discussion between the opposition and the government at the time as to the use of the options to protect the tax position of Saskoil. So there were some fundamental differences.

Mr. Lingenfelter: — I wonder if the minister could give me the remuneration at this time so I could ask some further questions. Have you got that ready?

Hon. Mr. Lane: — This would be the information you'd be given in Crown Corporations. The 10 senior executives are as follows — and I don't have their titles but we can get that for you: Mr. Childers, Mr. Gugulyn, Mr. Hampton, Mr. Humphreys, Mr. Lacroix, Mr. Doyle, Mr. Logsdail, Mr. Bubnick, Mr. Braun, and Mr. Barton, who was there for part of the year. For those 10 executive officers, the total would be 1,274,860 — 1,274,860.'

Mr. Lingenfelter: — Well, Mr. Minister, these 10 individuals who were earning \$1.2 million, that's an average of \$127,000 per annum for each of them. I can well imagine that the chief executive officers — and I'm

not going to ask you because I don't think you'd give me the answer — but would be in the are of \$200,000.

I just want to close my part in the debate, at least at this point, by saying to you that it seems to me that what you are doing here is giving an incentive to people who are already earning in the area of 200,000 — at least for the top managers in the corporation.

Now there are many people in this province today, many people in this province today who haven't had a raise 5, 6, 7 years; people on minimum wage who have had but one increase in seven years. Now I know you people on that side believe that people on the lower end of the economic spectrum are not important to the province, and that's why they don't get the same kind of advantage in increases. But I really question whether somebody earning \$200,000 a year — \$200,000 a year — needs the kind of incentive that you're talking about here. I really question that.

I don't believe that more than 5 per cent of the population in this province would agree with you that an individual earning \$200,000 a year . . . here I'm not arguing whether that individual is Canadian, American, or whatever they are — I'm not making that point. What I am saying is that someone earning \$200,000 a year does not need that kind of incentive, because it's taking money away from other individuals, obviously.

So I want to say to you, Mr. Minister, I wish you would reconsider offering share options to individuals who are at that kind of a wage level already.

Some Hon. Members: Hear, hear!

Hon. Mr. Lane: — Well I would just like to respond to the hon. member that, as I have said and I have said since the matter was first raised this morning, the remuneration package will be decided by the new board of directors.

I have not said that there will be options. I have not said that there will be options. I said I would expect that there would be, but I have not said that there will be. It may well be that the remuneration package doesn't change in total. Whatever the new . . . Those are decisions going to be made by the new board.

But I suggest to the hon. member, I haven't said that there will be, but that will be a decision of the new board. I have said as well that I would expect, in normal commercial practice, that there will be some incentive program; whether it consists of options or not, I can't say.

But one thing, I think, in fairness that, from the corporate side, from the corporate side, they tend to look at the total remuneration and then what form it can take can be negotiated back down. So the overall top may in fact not change with whatever form they come up with.

Mr. Lingenfelter: — Mr. Minister, in your list of individuals, the 10 individuals, I didn't notice the name of Mr. Wayne Brownlee. I'm wondering if that individual is in charge of the privatization, and if so, will you include the remuneration for that individual as well.

Hon. Mr. Lane: — He's not one of the officers.

Mr. Lingenfelter: — I wonder, Mr. Minister, can you tell us what position he holds in the corporation and where he is from? Is he out of one of the departments, or where is he from — his background?

Hon. Mr. Lane: — I advised the committee yesterday when I introduced the officials that Mr. Brownlee was director of business development . . . was the position. Mr. Brownlee was an associate deputy minister of Department of Finance.

Mr. Lingenfelter: — I wonder, Mr. Minister, as well, if you could for that individual give me the remuneration and also give me the background of the individual in terms of his work history that would make him qualified and the expert to be in charge of — or at least in a major way — in charge of privatizing. Can you give me a work history so that we can see what the background is that would make him the person to do the job?

Hon. Mr. Lane: — Mr. Brownlee joined the Saskatchewan Department of Finance as a budget analyst in 1977, and was a budget analyst until 1983. In 1983 he became assistant deputy minister, Department of Energy and Mines. One of the responsibilities was for a government policy on potash.

On December 1, 1985, Mr. Brownlee became associate deputy minister of the Department of Finance, responsible for treasury board. And as well, during that period until December 1, '88, on the leave program, was with investment banks in Canada, U.S., and Europe; returned to the position as associate deputy minister of Finance until assuming his present duties, as I indicated, December 1, 1988.

Mr. Romanow: — Thank you very much, Mr. Chairman. Mr. Chairman . . .

Hon. Mr. Lane: — If I could just finish, because I know it will be of some concern. Mr. Brownlee has an MBA from the University of Saskatchewan, 1977; Bachelor of Science and honours, 1975, University of Saskatchewan.

(2030)

Mr. Romanow: — Thank you very much, Mr. Chairman. I thank the minister for that answer.

Mr. Chairman, I wish to come to an area which has been canvassed briefly by myself and my colleagues, I think it was yesterday — actually more than briefly, for quite some time — and then arose again today, and I wish to return to this area.

This is concerning the question of what to do with the proceeds of the sale of the Potash Corporation of Saskatchewan to the foreign corporations and foreign nationals and the large corporations of Canada and at home. What happens to the \$800 million or a portion of the \$800 million which the government intends to receive from the sale?

I might repeat again, Mr. Chairman, \$800 million

valuation, which is below what the Premier estimated it to be at a billion dollars in February of 1989, and below the book value of \$1.2 billion dollars, and below the replacement value of \$2.1 billion — this shockingly low figure that I have described of \$800 million as the total valuation of this valuable resource that these people opposite place on the Potash Corporation of Saskatchewan . . . But we covered that this afternoon.

Now we are talking . . . At least I want to talk about the proceeds from the sale, for the sell-off — the sell, sell, sell policy of the government opposite. They don't built, they don't buy; they sell; and they're now involving themselves in a sell, sell, sell of the Potash Corporation of Saskatchewan of which there will be up to \$800 million, more or less, if you note the minister's words, with respect to this great corporation — world leader — as the minister's own people and the minister himself describes it up to now, in an unprivatized state.

So what I wish to do is to direct the House's attention, the committee's attention, to what it is and what we're going to do with the proceeds of this privatization. And why I want to come back to this is because I've been watching with interest the history of the statements of the government, both inside the House and outside the House, on the privatization matter in a number of areas.

I've already detailed the chronology on the debt. One billion . . . Sorry, on the valuation. One billion by the Premier, 1.2 on book value, two-point-something on replacement, billion value versus what we end up hearing today, \$800 million without any actual documentation.

This chronology is interesting to follow, and if you take a look . . . Well I mean, the member was here all afternoon, I gave you my numbers and I even offered to table the papers upon which I based the numbers, including the Manitoba project and other reports, but it just goes straight in through one aspect of the person's hearing apparatus and right out the other, so there's no use talking to him about this. I'm not talking to the minister, who I think understands the issue. And it's an interesting thing to consider the chronology of the matter of where the proceeds of this sale are going to end up.

The chronology seems to be as follows: first of all, it's clear that Mr. Childers, the chief executive officers of the potash corporation, has some ideas because he has articulated in general terms two ideas, specifically in the *Financial Post* article in April of 1989.

In that article reported by John Schriener, a very respected financial journalist, Mr. Childers felt that the proceeds could be used for acquisitions in the United States of America and also a fertilizer operation in the province of Saskatchewan.

I don't intend to re-enter the debate on that, other than to say that it's clear the fertilizer suggestion of Mr. Childers was either made well before the Cargill announcement operation of the provincial government's decision at Belle Plaine, or has been made in the total absence of knowledge of what the government is taking place and doing with respect to Belle Plaine.

I don't think that anybody here is taking seriously the prospect of yet another fertilizer operation by a privatized Potash Corporation of Saskatchewan in the light of the fact that the Belle Plaine one is going to cost us 200 — not cost us but leave us exposed — \$290 million.

The United States acquisitions idea as to what to do with the proceeds is intriguing. The minister does not deny this as a possibility for a place to locate the hard-earned moneys which Saskatchewan people will contribute by way of purchase of the shares. The minister does not deny that this corporation, privatized, will locate its capital in some portion or other in the United States, whether it's in a phosphate operation in Florida or wherever it may be; it may even be outside the United States. He justifies this on the argument that a company of this nature should be doing these kinds of things where the investment opportunities exist.

But clearly Mr. Childers has some ideas about U.S. acquisitions. I won't get into them because again the guillotine, the closure of the debate, really places enormous time restrictions on the opposition, as I think we will see today by this debate. We can't get into the details of what specifically Mr. Childers has in mind as for possible U.S. acquisitions.

But the point that I'm trying to make here in the overall is that the president and the chief executive officers of the corporation, as is properly the case, is thinking about what should happen with the proceeds. Those are his ideas. I find it ironic, almost bitterly ironic that the thoughts were with the United States and with the fertilizer plant which is now outdated, but not a thought toward reopening Cory. But again that was something we discussed and debated yesterday. But he has ideas.

The Premier has ideas. The Premier says, with respect of these proceeds — and they seem to be at odds with the ideas of the president and the chief executive officer of the Potash Corporation of Saskatchewan — the Premier's idea on the great tour of the Orient was that this money would be used to reduce the debt of the province, reduce the debt load in some manifestation or otherwise, and as we know, it's a fairly substantial debt load. I make no further comment on that. That's the fact.

That was the Premier's *raison d'être* essentially, was to reduce the loads at all levels and at all various stages and focal points of that load in the province of Saskatchewan. That's his idea. He was not talking about Chinese acquisitions or U.S. acquisitions, and when he was in China, he sure as heck wasn't talking about fertilizer operations to use the money, the proceeds of the sale-off of the Potash Corporation of Saskatchewan. He was talking debt load.

Chronologically now, we move to yesterday, and when I asked the minister what his ideas were . . . And I hate to sue the word, Mr. Chairman, but about ideas because it sounds as if we're dealing here with a nice friendly parlous discussion where one or more people sit around a coffee table and they say, hey, what are your ideas as to what you think we should be doing about this money, this \$800 million. I would have thought it would be much

more substantially than that, but nevertheless, it's not a parlour game discussion, what do you think we're going to do with the \$800 million.

We're here dealing with business people, the executive people of the Potash Corporation of Saskatchewan. We're dealing with the Minister of Finance in his individual right and in his fiduciary position, a responsible officers of the people of the province of Saskatchewan. We are talking big money, and we're talking about serious decisions as to how that money is to be disposed and what's to happen to it once the privatization, through the various stages, takes place.

I will repeat, before I come to the specific point I wish to make, the concern that I expressed last night. I repeat my concern, I would say my display, I would say my utter disappointment, at the government's refusal an/or inability to give us the details of what it intends to do with the money which is involved. This I think is a — I don't want to use the word "shocking" because it's not quite of the same magnitude of an undervalued corporation, which indeed is very shocking — but it's certainly a grave, grave situation if the government has no game plan with respect to what to do with this money. Apparently has no game plan — that's the word I want to use; not has no game plan, but apparently has no game plan.

The minister resolutely took the position with me yesterday that there are no plans — this was the direct response that he said to the Mr. Childers comment that I referred to — no plans on the U.S. acquisitions; no plans on the fertilizer. There was a bit of a debate that it might be possible nationally but, in effect, it was no plans. He wished me to accept his assurances that after the privatization Bill is passed and after the deal is done, then they'll start to thinking about what to do with this new-found-money or this money which comes as a result of the acquisition. That was his position.

Today, however, it changed again. You see, it's like a kaleidoscope. You sort of put your eye to the kaleidoscope and twist it around a little bit and the beautiful, different colours and shades and shapes come up. When one comes up to what happens to be \$800 million revenue . . . By the way, it's a kaleidoscope when you talk about the valuation and it's a kaleidoscope when you talk about what to do about remuneration for top personnel; it's a kaleidoscope virtually with respect to foreign ownership and the safety guarantees that are there.

But again, those are my opinions and the minister clearly doesn't buy them. But certainly on this specific issue, kaleidoscopically, the government has changed now; again today it seems, because the minister has shifted from the position that he has no plans. Now he says two different things: he says we're going to consult with the people of Saskatchewan as to what to do with this new-found money; and he also says we are not committed to the debt reduction of the province of Saskatchewan, notwithstanding what the Premier of the province of Saskatchewan said.

To be fair, Mr. Chairman, I do not believe that the Minister of finance used the last words — notwithstanding what

the Premier said — but he did say that the question of commitment to debt reduction is not necessarily in the same category of objective and priority that the Premier said in February and prior to February that it was. He says that there may be other things in store for these proceeds.

And I found that to be indeed very interesting and almost if you will . . . well, interesting. I won't say ominous, but interesting. And I find it interesting coming from the Minister of Finance who happens to be also the chairman of the — or, sorry — he's the person responsible for the Potash Corporation of Saskatchewan and privatization.

Because this person who is responsible for the privatization of the billion this House and who also is the Minister of Finance, is strapped for a very serious debt problem in the ordinary operating budget of the province: approximately, but not quite there, \$4 billion on the operating side; and on the Crown side, something like a n additional plus \$8 billion; for a total of 11 to 12 to \$13 billion overall provincial debt. Now that is shocking. That's as shocking as the valuation of the Potash Corporation of Saskatchewan, and certainly very, very worrisome as to how the province, regardless of political stripe, is going to manage that situation in the weeks . . . well not the weeks, the years ahead.

Now the Minister of Finance, in that position, tells the House today that there will be all options open with respect to the utilization of the proceeds of the sale of the Potash Corporation of Saskatchewan once it is privatized.

Mr. Chairman, I have to tell the members of this committee that when a Minister of Finance, in the predicament that he is in and the position in which he is in financially in this province of Saskatchewan, where the third largest expenditure is the interest payments on the provincial debt of approximately \$382 million, only to be outranked by the yearly expenditures for health care and education . . . Then comes the interest payments on the debt annually. That's built in to the budget. That's building into the budget, that's building, as my colleague said. That is indeed a very major problem, which is only seven years in the making. We never had that problem prior to 1982 at all.

So this Minister of Finance has himself a major problem. And chronologically, if you review what I have said about what is to be done with this money, the Minister of Finance today has opened up the prospect that this money may not go back to anything with respect to the Potash Corporation of Saskatchewan; it may not go back to a fertilizer plant; it may not even go to U. S. acquisitions; it may not go to debt reduction.

It may go to what may be simply categorized, pure and simple, as a slush fund for the Minister of Finances' re-election purposes in 1990 or 1991; that this money of several hundreds of millions would be used as an election, in effect, weapon in an attempt to once more try to gain the favour of the voters once more time on a desperate gambit for votes for re-election. A slush fund, a political slush fund, that's the way to describe it, for the pure electoral purposes of the government of the day — of

course with the adequate descriptions that this comes to you courtesy of privatization; of course with the massive advertising of which the minister refuses to give us the details, which will proclaim loudly and clearly, this is the courtesy of privatization.

(2045)

But anybody, of course, who gives a moment's thought, realizes what the net result is going to be. The net result will be that we will have no Potash Corporation of Saskatchewan owned and controlled by the people of this province receiving benefits of that ownership and control. We won't have the \$800 million because it will be gone in the slush fund for re-election purposes. But we will have the \$4 billion debt plus the \$8 billion debt and thereafter we will have no revenue-generating capacities with the province of Saskatchewan to work towards the orderly liquidation of the debt situation which exists in the province of Saskatchewan.

Because the only way the minister can reduce the debt in the long run is through either massive cut-backs — we can't take any more of those, Mr. Minister of Finance, thanks to your budgets in the past — or tax increases generally. And we can't take any more of those either, thanks to your actions in the past. And we certainly can't take both tax reductions, tax increases, and program reductions.

That means that we are saddled or potentially saddled with a debt which is in effect virtually a run-away debt on a provincial operation, and worst of all, no revenue-generation capacity by which to handle this monstrosity with which we are saddled.

Some Hon. Members: Hear, hear!

Mr. Romanow: — So I guess I want to conclude by saying that I see that as what is developing . . . In fact, I'll say more than developing. I think the government has concluded that that's the direction it's heading. I must say that the conclusion that I formed came only at the end of considering what the answers have been over the last two days on these various issues, and in thinking about the chronology of where we're headed.

And it seems to me that with a government which cannot tell us — will not tell us; it can tell us. Everybody in the front benches who is sitting there tonight, they know what's going to happen to that \$800 million, maybe not in precise detail or precise purpose, but you know what the corporate game plan is, if there is one.

I fear that where we're ending up as a result of all of this, Mr. Chairman, is the worst of all worlds. No Potash Corporation of Saskatchewan owned by the people; once in a lifetime revenue which is shot for political purposes.

It might even succeed. I don't know. It might even succeed. I doubt it. I think the people of Saskatchewan have caught on to that game one time already — too much in '86 and left with it a massive debt.

That's the scenario that I see, Mr. Chairman, and I must

say that I have to conclude that . . . The minister might say, if he wishes to rebut me — and undoubtedly he will wish to rebut me — the minister will say that that is again political posturing by the Leader of the Opposition.

But I have no other option but to conclude this, Mr. Chairman, because I have no concrete evidence of what the government wishes actually to do with the money which would dispute my proposition. I have none, other than the statements that are made. And of course I have no concrete evidence to dispute my proposition as to valuation of the corporation, the give-away — none.

What a tragedy this is, you know. This is Committee of the whole, the biggest sale-off in the history of the province of Saskatchewan — two hours. We don't know where that money is going to go and we don't know what the value of what we're selling is — at least, we don't; they do. And that's a pretty bleak picture to tell our children and their children as to what the legacy of this government's going to be.

Mr. Chairman, I don't have a question out of that because I don't believe that any question that I ask will be met with a positive revelation of corporate plan or government plan. I suspect that any question that I give will be met by a political response, which I'm fully expecting to hear now from the minister.

But I want to put it on record, Mr. Chairman, as I close my remarks, I want to put it on record that we will be watching and monitoring the actions of this government on this issue very carefully, because if that is what the end result is going to be, as I say that is heading to be, the people of the province of Saskatchewan will not forget and will remember and will punish this government at election time like no government has ever been punished before.

I want to close with what I think is the one . . . an excellent thought by the Saskatoon *Star-Phoenix* in an editorial April 18, 1989, right after the privatization scheme was announced:

Taxpayers will demand evidence that PCS shares be sold at a price which accurately reflects the value of the company's assets when they are viewed in terms of the industries long-term market (get these words, when they are viewed in terms of the industries long-term market) potential.

I'll stop. My words — long-term, not short-term. I repeat the quote:

There will be a heavy political price to pay if those who can afford shares turn out to have made windfall profits on the purchase.

And that pertains to the quests we talk about with respect to the executive, which the minister is so sensitive about, and what we talked about with respect to the investors. There will be a heavy price to pay. But there will be even a heavier price to pay, if that's possible, if at the end of the result, out of all this exercise we are left with nothing except that mountainous debt, thanks to this

government opposite.

Some Hon. Members: Hear, hear!

Hon. Mr. Lane: — I will join with the Leader of the Opposition in not being political in my response to his statement. And I don't expect to be able to put the Leader of the Opposition's mind at ease with what I say. And I won't open up some of the areas alluded to on the question of valuation. I've made the statement. It's what the market will pay; not what you or I may think it is worth.

And there will be proceeds. For starters, I have already indicated to the Leader of the Opposition — I'm not sure he's interested in my response — that the share issue, including the employees and the people of the province and the government share, will exceed the 50 per cent, and I've indicated that.

From that, one can certainly extrapolate that of the total proceeds, if everything would be sold, there will be a substantial reduction from that. So it won't be the total amount because the government will be holding on to a portion, and I have indicated that. So whether that gives any reduced comfort, I don't know. It's still a great deal of money and I don't deny that.

Secondly, the government is very much aware that if it were to take all of the balance of the proceeds and spend them for whatever purpose, that that purpose would have to have the support of the people of the province. So what I have indicated, what I have indicated — and the arguments are not exclusive — we will take to the people in a consultative process. We will consider on the . . . or suggest or listen to the public as to what they think should be the allocation of those proceeds. So there will be a public consultation process, and I've indicated that.

I indicated to the press that officials are working on the form of that process, but I don't think that that's an improper position. I think it a fair position to take; it's one I stated last night. And that is the position of the government.

Now I would expect nothing less than the Leader of the Opposition to say you're going to watch that with a great deal of care, interest, and caution, and I would expect you to do that. But I think that, given the amount of the proceeds, that the public will have a great deal of interest in how they are spent or where they are allocated.

And so we intend to have that process where the public will be consulted. You may disagree with the process. Fair enough. And I have little doubt that in the heat of political debate that the process will be criticized and that . . .

An Hon. Member: — There won't be a process.

Hon. Mr. Lane: — The hon. member from Quill Lakes says there won't be a process. Well that's his statement. We could prolong the debate over that for along period of time. I've stated our position, I hope, in a fair response to the Leader of the Opposition and in the same manner that the question was raised.

Ms. Atkinson: — Thank you very much, Mr. Chair. Mr. Minister, we have seen your consultative process in the past. And I recall with interest the former minister of Finance, the member from Kindersley, when he was involved in his consultative process on his, I believe it was his 1984 budget. And anyone who wanted to could go down to the various plazas around Saskatchewan and involve themselves in some sort of interaction with this computer and people could interact with this computer.

And the minister, when he devised his budget based on that information, I guess, called it the most intelligent budget in the history of Saskatchewan, and if I recall, that's the budget that brought in the tax on used cars. And after the by-election when my colleague, the member from Regina North East, was elected, the Premier of Saskatchewan decided to take off that most unintelligent tax.

And so I'm curious about this consultative process that you've been talking about. This province has a \$4 billion deficit. That's on the operating side of the government. Each year we pay out about \$390 million in interest to various creditors, I would suppose, the bankers and the bond dealers. And if you look at the budget this year, the \$390 million that we're paying out to service our debt is the third largest expenditure in our budget next to Health and Education.

Now we have an opportunity here, Mr. Minister, to see what kind of money or capital we're going to realize from the sell-off of this particular asset. And as to my leader has said earlier, this is an asset that's worth about \$2 billion; or as the Premier has said, it's worth about \$1.2 billion and according to the information you have given us this afternoon, you're planning on selling it off at a value of some \$800 million, far below what we believe the potash corporation to be worth.

Now I'm wondering, in view of the fact that we're paying out \$390 million of debt a year to service a debt that the Conservative party of Saskatchewan created in the last seven years, in view of the fact that we're spending this money at a time when we don't have enough money for health or education or social services or other programs, I'm wondering, Mr. Minister, is there any possibility at all that some of this money might go to debt reduction. Is there any possibility that, say, \$400 million of the money that surely we can anticipate in terms of this sell-off, that that \$400 million could be directly applied to the principal?

Is there any possibility that we could reduce our interest payments by \$40 million a year, and we could use that \$40 million a year to perhaps reinstitute partially the prescription drug plan, or perhaps reinstitute the children's school-based dental program, or perhaps put some more money into home care so that senior citizens and the frail elderly of this province and disabled people aren't sitting on horrendously long waiting lists, waiting for those kinds of services. Or perhaps some of the \$40 million could go to creating some nursing home spaces, or maybe some new day-care spaces in this province. Or perhaps some of the money could go to hire some staff at non-governmental organizations where

they're having a great deal of difficulty providing services to the people in our province. I'm wondering if that is a possibility in your scenario for handling some of the proceeds of this sell-off of a major, major Saskatchewan asset.

(2100)

Hon. Mr. Lane: — Well I hope in the consultative process that we embark on, that the hon. member is somewhat more persuasive than perhaps she was when the New Democratic Party was in government and had a moratorium on nursing homes, and refused to build nursing homes and had it as stated government policy not to build nursing homes.

And I hope you're more persuasive. I hope you're more persuasive in the consultative process than perhaps you had the ability to be when the New Democratic Party was in office and had, I believe, the worst record on day-care spaces of any province in Canada. And they've been over doubled by the Progressive Conservative administration.

And when we talk about the dramatic reduction in the waiting lists in Saskatoon because of new hospitals, new day surgery, when we talk about a new Wascana rehabilitation hospital for Saskatchewan that the New Democratic Party refused to build, refused on numerous occasions to build . . .

But I will say this, that we recognize that the people of this province will and do want a say in the disposition of the proceeds, and whether you look at it, the people have said that. I will accept, with respect to the hon. member, that she is putting forward the proposition that the proceeds should be used for debt reduction. What you say may well be either the consensus of the view of the people of this province, in which case we would respond.

So there will be a consultative process, and I have little doubt that many people would agree with the hon. member as to the application of proceeds to the operating debt of the province. I think that many people would agree with that. Others would say, if there is to be a payment on debt, that it be on the cumulative debt of the province. Others will say it should go to other purposes. Some, I have little doubt, will be for the diversification of the potash corporation. So do we have . . . And I think it would be unwise to have a fixed position because we do want to consult with the people of the province. And the hon. member, I will ensure, has a fair opportunity to put her views to that process. And I'm sure that her views will be shared by several people in this province.

Mr. Solomon: — Thank you, -Mr. Chairman. My question, Mr. Minister, relates to how the proceeds from the sale will be handled, and I want to just go over what happened when the Saskoil corporation was privatized.

At that time, Minister, you may recall that 40 per cent of the equity of the corporation that was held by the government was sold for \$75 million dividend paid by the corporation to the Crown investments corporation. And from that point Saskoil has operated in a number of ways.

When the potash corporation is sold, what proportion of the proceeds will be handled immediately? Have you got a plan together on that or are you planning to float treasury stock which will give up the entire control of the corporation? Can you just run that by us.

Hon. Mr. Lane: — Well what I have indicated is that there will be shares issued to the value of the assets transferred to the Potash Corporation of Saskatchewan inc., the new . . . defined, I believe, a purchaser corporation. And the shares will be issued, what I have then, to the value of the assets — transferred over.

So then, from that, I have indicated that with the government, with the people of Saskatchewan, including the employees, that will be 50 per cent. So at some per cent the government will be holding on to it. Okay. And then we take the balance of the proceeds . . . And I have indicated that there will be a consultative process with the people of this province as to the disposition of the proceeds.

Mr. Solomon: — So what you're saying, for example, Mr. Minister, is that . . . Let's assume it's \$8000 million, that will be the proceeds that goes into PCS inc. Half of that will remain in the new corporation and the other half will be used at the discretion of the government, Is that what you're saying just as an example, Mr. Minister?

Hon. Mr. Lane: — The proceeds will go to the Crown Management Board, and what I have indicated that before there is a disposition of those proceeds, okay.

An Hon. Member: — All the money goes to CMB (Crown Management Board)?

Hon. Mr. Lane: — It's just, yes, it will be held there until we have the consultative process. That's the formal process by virtue of the CMB being the holding company involved. But it will be held there until we've had our consultative process.

Mr. Solomon: — Well it's still not very clear, Minister, to me. Maybe if you could just confirm the following analogy of this to be the case. If you raise \$800 million, the money, you're saying, goes to the Crown Management Board, the total amount of money, in exchange for the shares and the stock. Is that what you're saying? And then that money is held by Crown Management Board to do what it has to do. If that's the case, what then does the Potash Corporation of Saskatchewan inc. do with regard to the capital? How do they raise capital to do the things that we think the corporation might be doing, although you don't have a corporate plan to share with us this evening? But what would they be doing in terms of new initiatives or expansions or getting into some other transportation or leasing enterprises? Could you explain that to us, please?

Hon. Mr. Lane: — As I've said on several different occasions, I would expect that at least some of the proceeds, and there's been, as I've said, no disposition or allocation or commitment, would be for the expansion/diversification of the potash corporation.

But there will be a public consultative process. We will be

taking proposals to the people . . . (inaudible interjection) . . . Well I'm sorry, I'm not understanding your question. You asked that the proceeds will come in and will formally go to the Crown Management Board, the holding company. Okay.

Then we have the consultative process. We'll be taking out proposals to the people and listening to the people of this province as to their proposals. Well certainly we would expect that at least a portion would go for the potash corporation for the purposes of diversification and expansion.

Mr. Solomon: — So in essence what you're saying, Minister, is that you decide on the amount of money that you want to raise for 100 per cent of the corporation.

For argument purposes this evening, you're saying, let's say \$800 million. You, the corporation, issue shares in total worth that amount. They're all sold on the markets, whether it's a bought deal, or on the markets or through the processes we've debated over the last couple of days. The government receives \$800 million as a result of that transaction, the proceeds. It goes to the Crown Management Board and the CMB makes the decision on that.

My question then, if that's the case, if this is what you're saying, Mr. Minister, what does the Potash Corporation of Saskatchewan do to raise the capital that would be required for the long-term corporate plan, if and when you devise one?

I mean part of issuing stock, whether it's treasury stock or selling existing stock, but certainly treasury stock, is to gather capital to follow up on either capital purchases, or expansion, or diversification. Most business people know that. So if we're getting \$800 million for the sale of the corporation and it all goes to the CMB, what then does the corporation use . . . What kind of money do they get and where do they get it to follow through with the corporate plan of either diversification and/or expansion and/or capitalizing or purchasing new capital equipment?

Hon. Mr. Lane: — Certainly, certainly the argument could be made that all of the money could go to Potash Corporation of Saskatchewan inc. for the very purposes you state. It's certainly a policy decision of government that that may not happen; that in fact that there may be other options that the people of this province want to consider. And we want to take proposals and also hear from the people of the province as to where there should be an allocation of those proceeds.

I'm not disagreeing with what you're saying. I am stating that there is a policy intervention as to the proceeds in this case. And what the public response will be, I can't tell you. I have indicated on numerous occasions that we believe that the people of the province want some say in where they go, where the proceeds go. So there will be the policy intervention as to the disposition of proceeds.

Mr. Solomon: — So what you're saying then, Minister . . . This is the message I'm getting from your response tonight, if the revenues and the proceeds total \$800

million, the Crown Management Board and/or the Government of Saskatchewan will not necessarily retain all that money. You may decide to give \$400 million back to the corporation to use for whatever plant they choose, whether it's diversification or capital expansion or modernization or whatever. Is that what you're saying?

That's the understanding that you're giving us this evening — that you're selling the corporation for an evaluated amount, that the Crown Management Board will get the total amounts, but has the option to return any amount, any percentage it wishes, back to the corporation to use for whatever purposes. Is that what you're saying? Please, do explain that. I don't want to know where the proceeds are going because you won't tell us; I want to know if that's the procedure that you will be operating under once you receive the proceeds.

(2115)

Hon. Mr. Lane: — Let me take the member through the process so that you will see where the moneys end up. The assets of PCS (Potash Corporation of Saskatchewan) and potash corporation mining are the present assets held by those two entities, okay? And we have the new company, PCS incorporated. It will issue 100 per cent, the shares, will issue the shares, and it will transfer its assets or its shares to . . . (inaudible interjection) . . . Yes, in effect, CMB. PCS and PC mining — in effect CMB. Okay? So CMB holds the shares. Then from what we have the issue and the proceeds back. Okay?

Mr. Solomon: — Mr. Chairman, if I may. The question I'm asking on that particular point, Minister, is . . .

Hon. Mr. Lane: — It's not a treasury issue; they're going to sell those shares.

Mr. Solomon: — Okay. So Crown Management Board will sell part or all of the shares they have.

Hon. Mr. Lane: — Right.

Mr. Solomon: — Okay. Good.

Hon. Mr. Lane: — So they will then, at the end of the day, have proceeds. Okay? And I have indicated that there will be a policy intervention as to where those proceeds go. There will be a public consultation.

An Hon. Member: — that's what we've been trying to find out for the last hour. What is the policy? We knew that when began the questioning.

Hon. Mr. Lane: — I have stated it on numerous occasions that there is going to be a public consultative process. I don't know why you're chuckling. On the one hand you've got concern about a slush fund; and then on the other hand, if we go out and talk to the people of the province about it, you have concern about that.

Now in fairness, the Leader of the Opposition said that they're going to watch it carefully. I would expect you to do that. But that will be the process up to the disposition. Then from that . . . Decisions after the public consultation, well we'll obviously have to make them at that time,

whatever they may be. I will expect that at least a portion would go back to PCS inc. in whatever form is appropriate, be it equity or whatever, for the purposes of the diversification of the corporation. I throw the caution, as I've said, that there will be a consultative process.

Mr. Solomon: — So what we're saying then, Minister, is you will determine what the proceeds will be by an evaluation that you won't table in this House this evening. We have determined that it will be somewhere around \$800 million or thereabouts, because if that's the evaluation that you've put on it, that will be the maximum amount you'll be able to receive in terms of issuing stock. CMB will get the stock; they will sell the stock and receive the money and determine where the proceeds will go. And they will dispose, in your words tonight, part of the funds by giving them back to the corporation either in equity — this is what you're telling us — either in equity or in cash. They can use that cash or equity in a flexible financial way to achieve whatever corporate plans ends that they've decided to achieve, whether it's acquisition or diversification or expansion.

Now if that's the case, then we're going to be giving them back a significant amount of assets, either in shares or money, to get capital elsewhere, or, Mr. Minister, you are under-evaluating the corporation, as we have determined you are. This confirms it — your very own words — because the corporation will then be issuing new treasury stock to raise money to do the things that they have to do and want to do.

So I'd like to know what is it, Minister, which is it. Are you under-evaluating it or are you going to be giving a big chunk of the money back to the corporation for them to use for whatever purposes that they want?

Hon. Mr. Lane: — I didn't say how it would be done. I certainly raised options as to how it can be done. And as I have indicated on numerous occasions this afternoon and this evening, I don't accept the argument or the statement that you've just made as to it being undervalued. The valuation will be, as I have said on numerous occasions, what the market is prepared to pay for it. That's how it is valued and that will be determined, obviously, by the market on the public issue. So I don't buy your argument and I don't accept the statement that it is undervalued. It's not the New Democratic Party's position to say what the valuation is. And we've been through that debate. But I have indicated what the investment advisers have indicated, what in their view the market will pay for the company.

So again, I simply don't buy the argument that the hon. member has made with regard to valuation. And I have indicated that, after the consultative process on the use of the proceeds, then they will be allocated in an appropriate manner. It could be that the proposals of the member from Saskatoon will have some public support. That would be an option.

We talked about debt reduction. We talked about further economic diversification. All sorts of options could in fact take place with the proceeds. And I think the public consultative process is the appropriate way to do that.

Mr. Mitchell: — Thank you, Mr. Chair. Mr. Minister, I have a few short questions that I think are quite clear and we'd be able to get through them quickly. Maybe on your feet you can briefly touch on the other matters took but time is getting short.

I want to refer to section 3, which is the sale section, where the potash corporation that is owned by the people of Saskatchewan is going to be transferring assets to this new potash corporation, which is going to be owned not by the people of Saskatchewan.

And the words that interest me there, Minister, is that it contemplates, it clearly contemplates the sale of something else than all of the assets of the existing PCS. It clearly contemplates the sale of less than all of the assets.

My question, Minister, is: are you transferring all of the assets of the existing PCS to the new corporation, or are you holding some back?

Hon. Mr. Lane: — There is some indication that there may be some tax pools that are of no advantage to PCS inc. that may be of advantage to Crown Management board, so that's what's contemplated.

Mr. Mitchell: — What is that, Minister. What is a tax pool?

Hon. Mr. Lane: — It would be depreciation, I gather.

Mr. Mitchell: — Are you telling me, Minister, then that all of the physical assets of the Crown corporation are going to be turned over to this new corporation — all the mines, all the equipment, all the buildings, all of the tangible physical assets?

Hon. Mr. Lane: — There will be some real property. For example, I gather there is some land around Cory; there is some properties in Saskatoon. They're going through those assets to see whether they will all be transferred or not.

Mr. Mitchell: — I'm not sure whether you told me that they are not transferring those, or they haven't made up their mind whether those are to be transferred.

Hon. Mr. Lane: — Haven't made up their mind.

Mr. Mitchell: — Then section 6, of course, operates with section 3, and that's the section under which you're going to sell those assets. If you decide that the property around Cory and the property in Saskatoon that you've just referred to are not to be transferred to the new corporation, how do you plan to dispose of those under section 6?

Now under section 6, I believe I am correct in saying that you could sell them to anybody, anywhere, on any terms or conditions that the Lieutenant Governor in Council may direct. Can you tell us what your plans are with respect to any assets that are held back from being turned over to the new corporation?

(2130)

Hon. Mr. Lane: — The intent is just the residual power of

disposition, but there are no specific plans. I would assume, if it's the sale of property, if it's to be disposed of, it would be done by tender or whatever. I don't see anything out of the ordinary here; nothing is brought to my mind that would be out of the ordinary as to how it would be disposed of.

Mr. Mitchell: — Tell me this, Minister, will give me this assurance: will you assure me that there won't be any mines held back nor any potash deposits nor any of the mills or any of those kind of substantial assets. Because what is of concern is that under section 6, you could just dispose of those assets however you like. And if a mine were held back, if a complete, operating mine were held back, then that could be sold to anybody in the world and be sold under the authority of section 6. So I just want your assurance that that's not part of the plan.

Hon. Mr. Lane: — I suppose I could come at it this way, that I can give you the assurance that if a decision, and certainly not one being contemplated, that if there are any held back at the final determination, that they would not be sold. I would be prepared to give you that assurance.

Mr. Mitchell: — Thank you for that, Minister. Turning to another matter now, we all know that one of the features of a Crown corporation is that it is not liable for federal income tax. We all know that private corporations are liable for federal income tax. And would you agree with me, Minister, that one of the consequences of what you're doing with your bill 20 here is that this purchaser corporation this new Potash Corporation of Saskatchewan inc. will be liable for the payment of federal income tax. For example, if the new corporation earns a profit of \$106 million, like the Potash Corporation of Saskatchewan did in 1988, it would have to pay federal tax on that.

While you're answering that, Minister, can you give us some idea, in consultation with your officials, of just how much tax that would be. What would the federal tax be for a corporation like the potash corporation on profits of \$106 million?

Hon. Mr. Lane: — Because it was a Crown, of course, that it did not depreciate assets for tax purposes, and so with that ability now in place, that there may not be any tax payable because of the depreciation that is available, I'm advised anywhere from three to seven years.

Mr. Mitchell: — Final question. You do agree thought that one of the consequences of this privatization is that the new corporation will be liable for federal income tax?

Hon. Mr. Lane: — yes.

Mr. Hagel: — Thank you, Mr. Chairman. Mr. Minister, I would like to ask you a few brief questions and I would appreciate brief and to the point responses related to the very important issue of employment in Saskatchewan today, and particularly as related to the potash corporation.

Mr. Minister, you will be aware of course that the current employees of the Potash Corporation of Saskatchewan are covered by a collective agreement, and I ask simply if

you will give your assurance that the current collective agreement will continue with the privatization of the Potash Corporation of Saskatchewan and it will continue without a single change. Will you give that assurance?

Hon. Mr. Lane: — Well I am a little reluctant to have to tell the hon. member that by law, of course, they are transferable to the new company. And he asked me that there not be a single change. I can tell him that the agreement is transferable to the new company. I would suspect there would be a change in the name of the company, so I think the question is: are the collective bargaining agreements that are in place, will they be transferred and be honoured by the new company? The answer is yes.

Mr. Hagel: — I appreciate that, Mr. Minister. Secondly, I would ask on behalf of those employees at PCS right now, as you're aware when your government inherited the responsibility of managing the Potash Corporation of Saskatchewan, there were some 2,200 employees with the potash corporation. That's now since been reduced by your government to about 1,200 employee. I ask, Mr. Minister, if you will give this House, and the employees of the Potash Corporation of Saskatchewan, your assurance that no jobs will be lost as a result of the privatization of the potash corporation?

Hon. Mr. Lane: — There will be no job loss as a result of privatization.

Mr. Hagel: — And, Mr. Minister, will you give your assurance that there will be no continued job losses, as has been the pattern of your government over these past few years?

Hon. Mr. Lane: — I think, in fairness, that in the privatizations that ultimately there has been an increase in jobs. But having said that, I don't think the hon. member is asking that should there be a downturn in the potash industry in the future, that there won't be lay-offs. I can't give you that assurance. I can't give you the assurance that there won't be the lay-offs that happen during the course of the year, depending on inventory, which has happened traditionally in the past, and I don't think you're asking that.

The potash employees know better than anyone the vagaries and the uncertainty of the potash industry, and that won't change. That won't change. I have given you the assurance that as a result of privatization itself there won't be any job loss, but in the future, there will be changes in that industry, and it's a cyclical industry and the corporation will have to respond. The employees, I think, recognize that.

Mr. Hagel: — Mr. Minister, we're frequently told, people of Saskatchewan are frequently told that one of the great advantages of privatization is job creation. Will you tell me, Mr. Minister, as a result of the privatization of the potash corporation through Bill 20 that we have before us, how many new Saskatchewan jobs will be created and what kinds of jobs will those be, Mr. Minister?

Hon. Mr. Lane: — Well like we couldn't give you the estimate on WESTBRIDGE and the many new jobs, and

with the privatization of PAPCO (Prince Albert Pulp Company) and the hundreds of new jobs, and with the increase in employment in Saskoil, and different ones — now we can't give you that.

We've talked about the corporation being able . . . (inaudible interjection) . . . And that's right, and that's what I have indicated, that after the issue, obviously, and the consultation process, then assuming that the funds would be forthcoming from that, that the corporation will have the opportunity expand and diversify.

We've been through that debate many times. I think that, again, the hon. members should look at the expansions that have taken place in other privatizations and take it from there. Now we can debate that back and forth but I can't give you a guarantee. I have an expectation that there will be increases in employment. I can't give you that guarantee. And that's the answer I give the hon. member.

Mr. Hagel: — Well then finally, Mr. Minister, are you saying that there will be new Saskatchewan jobs created? And would you please bless us with your best guess? I'm not asking you for a guarantee. You're in the business of guessing. You seem to do a fair amount of guessing, and I'm simply asking you to forecast for the people of Saskatchewan your best guess as to how many new jobs from this privatization initiative can we expect in the province of Saskatchewan.

Hon. Mr. Lane: — What we have indicated, that the corporation will be expanding, will be looking at new opportunities and those will create employment for the people of this province. And what I also indicate to the hon. member that the growth of the corporation will be long term and not only will that be of benefit to employees from new jobs created but also of benefit to employees from new jobs created by also a more stable company give the vagaries of the potash industry.

The division bells rang from 9:43 p.m. to 9:52 p.m.

Clause 1 agreed to on the following recorded division.

Yeas — 33

Devine	Martin
McLeod	Toth
Andrew	Sauder
Berntson	Johnson
Lane	McLaren
Taylor	Hopfner
Smith	Petersen
Swan	Martens
Muirhead	Baker
Maxwell	Wolfe
Schmidt	Gleim
Hodgins	Neudorf
Gerich	Gardner
Hepworth	Kopelchuk
Hardy	Saxinger
Meiklejohn	Britton
Pickering	

Nays — 19

Romanow
Prebble
Rolfes
Shillington
Lingenfelter
Tchorzewski
Koskie
Brockelbank
Mitchell
Simard

Solomon
Atkinson
Goulet
Hagel
Calvert
Lautermilch
Trew
Smart
Van Mulligen

Clause 2

Mr. Chairman: — Order. Order. There's an amendment to Clause 2. Moved by the Minister of Finance to:

Amend Clause 2(4)(i) of the printed Bill by striking out "whether as shareholders or as beneficial owners".

Clause 2 as amended agreed to on division.

Clauses 3 to 10 inclusive agreed to on division.

Clause 11

Mr. Chairman: — Amendment to Clause 11, moved by the Minister of Finance:

Amend subsection 11(3) of the printed Bill by adding "together with their associates" after "non-residents".

Mr. Mitchell: — Thank you, Mr. Chair. I realize that you're finding me a new chair so you wouldn't automatically look for me here, but I want to say a few words . . .

Mr. Chairman: — Order, order. Allow the member to put his question. It's very difficult to hear.

Mr. Mitchell: — Thank you, Mr. Chairman. I want to address a few remarks to the committee with respect to clause 11, and at the conclusion of my remarks I want to move an amendment, a House amendment, and I'll read the amendment now, Mr. Speaker, and then I'll move it formally, or Mr. Chairman, I'll move it formally at the end of my remarks. My amendment will be:

That we strike out section 11 of the printed Bill and substitute the following:

non-residents shall not hold directly or indirectly, other than by pledge, hypothecation, mortgage, or other form of security for indebtedness, any voting shares.

That will be the amendment that I will wish to move at the conclusion of my remarks.

Now this section is, this section 11 is the section which provides that at least 55 per cent of the total number of shares will be owned by residents but that non-residents may own as many as 45 per cent of the new company.

And that is one of the most disturbing features of this Bill, particularly as the matter was explained to us by the minister during questioning with respect to clause 11.

There's just simply no excuse for a provision like this, Mr. Speaker. I want to . .

(2200)

Mr. Chairman: — Order. The Clerks and myself are checking the amendment. I would ask the member to wait until we've checked to see if the amendment is in order.

Order. I find the amendment not in order because the amendment to section 11(3) has already been agreed to and just to . . . on page 232, paragraph 772(2):

Amendments should be proposed in the order of the lines of a clause. If the latter part of a clause is amended, it is not competent for a Member to move to amend an earlier or antecedent part of the same clause.

The amendment of clause 11(3), it has already been amended, so the amendment cannot go back before an earlier part of that clause to amend it. You can amend a later part of the clause but not an earlier part before the amendment.

Mr. Mitchell: — Mr. Speaker, I want to address the subject of clause 11 and make a few remarks with respect to the acceptability of the whole of clause 11, and I trust that it's in order to do that.

As I was saying, this section give us a great deal of difficulty, and I'll try and describe to the House just what the problem is. Our potash resource is a very, very important resource in the economic life of this province today and it promised to be so for decades, indeed centuries, if not even thousands of years to come. It will be here for a long, long time. We have in place now in this province a satisfactory structure in the industry for the exploitation of that resource. It is a mixture of the private sector and the public sector, and we have in this province in the public sector this very Potash Corporation of Saskatchewan which is the subject of Bill 20.

It has the advantage, Mr. Speaker, of being a Crown corporation, which means imply that it is owned by the people of the province. It is 100 per cent owned by the people of this province, and every resident of this province is, in a real sense, a shareholder in it.

Now that's important, Mr. Speaker, and it's important that this corporation be in a Crown corporation where the people acting together through their government are able to run it.

One of the reasons why that's important is that the potash corporation is as large as it is. By any measure, Mr. Speaker, by any measure it is the giant, it is the giant potash producer in Saskatchewan. And by any measure Saskatchewan is the dominant potash producer in the world. And as a consequence, the Crown corporation, the Potash Corporation of Saskatchewan is in a real sense

the dominant company in potash production in the world.

And I think that the minister agrees entirely with that analysis. And I think the minister has shown, through recent actions on behalf of the potash corporation, that this corporation has real clout, has clout to do a number of things in the potash markets of the world merely by deciding as a matter of policy that that is what it will do.

Some Hon. Members: Hear, hear!

Mr. Mitchell: — And specifically we saw with respect to recent events the Potash Corporation of Saskatchewan deciding unilaterally that it would increase the price, it would increase the selling price of potash. And it did that. And presumably it did that without anybody else's consent or any consultations or anything like that. It just decided one day that the price of potash will be increased.

And, Mr. Chairman, the important thing is that all the other producers in Saskatchewan, and indeed elsewhere in the world, followed that leads. And the world price for potash increased as a result of that act.

Now that's a lot of power. That's a lot of strength for any corporation to have. That's the kind of strength that Saudi Arabia, for example, the Kingdom of Saudi Arabia has with respect to oil they're in a dominant position also, and they can pretty much call the tune with respect to a lot of policy matters affecting oil, like the supply of oil in the world and the price of oil in the world.

And we have a similar kind of situation in Saskatchewan with our Crown corporation, with the potash corporation in existence, having a clout that is analogous to the kind of clout that Saudi Arabia has with respect to oil.

Now under this Bill 20, under this Bill 20 we have learned — we learned on reading the bill a great deal, but learned a lot more during the last couple of days during Committee of the Whole. We learned that this potash corporation is to be privatized — that's the buzz-word. But what happens in effect is that all of the assets of the Crown corporation are going to be transferred over to a private corporation. And in return for transferring those assets, the government is going to get a number of shares which it is then going to sell, which it is then going to sell on the stock markets of the world.

The government has said that it will hold back a number of shares, Mr. Chairman, it will hold back a number of shares, and the minister expressed a policy aim that Saskatchewan ownership would be at about 50 per cent. He has specifically refused to write that in to the Act. He has specifically refused to write that into the law so that it will be guaranteed that this level of Saskatchewan ownership will continue.

Furthermore, Mr. Chairman, furthermore, and this is important, he told the legislature that the Saskatchewan government does not intend to vote its shares. It will hold its shares only as an investor, and it will not vote its shares in the normal way that you and I might, as investors, expressing our opinion on policy questions within the

corporation as to how the corporation ought to be run. And that's a very significant thing also, Mr. Chairman.

The result of that is a . . . those factors is a serious diminution of Saskatchewan's control over this giant potash corporation. First of all, our shareholding is going to be reduced to about the level of 50 per cent; and secondly, the government isn't even going to vote its shares, which guarantees that the strings of the potash corporation will be pulled by people who live outside the province of Saskatchewan.

A combination of non-Saskatchewan Canadian investors and foreign investors will guarantee that the preponderance of votes cast at any meeting of the potash corporation that I could imagine are going to be votes from outside Saskatchewan. They will be the preponderance; they'll be calling the shots, and we in Saskatchewan will have just simply given away control over this giant potash corporation.

And that's where my point comes, Mr. Speaker, because written in to this bill is a provision which permits foreign ownership up to the level of 45 per cent. And I think, Mr. Speaker, that that virtually guarantees it. I think in the short run, we can expect that foreign buyers will be entering the stock market to try and pick up potash corporation shares. Why wouldn't they? Why wouldn't they — an enormously successful corporation, made a profit of \$106 million last year; over its life has made profits year after year in incredibly large amounts. Not always, not always. When the government opposite got a hold of it and tried to run it, we found that financial performance became a lot more shaky. But in most years it has run at a profit. And why wouldn't the foreign buyers come in and try, particularly if the numbers we heard here about the valuation of the corporation at \$800 million is actually implemented, put into effect, the result will be that the shares of that corporation will go on the market at something less than half their value.

You can imagine the American investors, who are pretty sharp investors, the scramble that's going to be on in order for them to grab a hold of as many shares as they can. I don't think there's any question that this 45 per cent limit is going to be reached.

Furthermore, and the minister knows this and admits this is the case, under the free trade agreement, if we pass this Bill, this figure of 45 per cent foreign ownership is a guarantee as far as American investors are concerned. The effect of this provision will be, under the free trade agreement, that that provision can never be changed, it is written in stone, it is carved in marble, and as long as that free trade agreement continues in effect, then we in Saskatchewan are going to be stuck with a 45 per cent foreign ownership provision as far as our potash corporation is concerned. Why would we do that? Why would we do that? Why would we do that? And that's the question that I'm going to ask the minister as I sit down. Why in the world would we want to do that? Surely we can . . . Let me say, lest there be any doubt, and I'm sure there's not, but let me say for the record that we on our side of the House are as totally opposed to this Bill as is possible for any political party to be.

Some Hon. Members: Hear, hear!

Mr. Mitchell: — We thin that this privatization of the potash corporation is just one complete disaster from beginning to end, and it's the wrong policy and you shouldn't do it and we're totally opposed to it.

Having said that though, having said that, if you're bound to privatize it, why would you privatize it in this way? Why would you privatize it in a way that, for purposes of the free trade agreement, guarantees that 45 per cent of that corporation will always be available to investors from outside Canada? Because that's the effect of the free trade agreement.

Why wouldn't you, if you're going to have to go ahead with this idea of selling shares in the potash corporation, then why wouldn't you try and sell those shares to Canadians? Why wouldn't you try and sell those shares to Canadians? Why wouldn't you try and limit it to Canadians? Why wouldn't you try to interest Saskatchewan people in this foolish plan? Why wouldn't you try hard to interest Canadians in this plan and try and do the things that you think have to be done, but do them within Canada?

You're not even trying to do that, you see. That's not even you're starting point. There's nothing in this legislation that requires to try and raise all that capital within Canada. Rather, you take a legislative approach which says right off the bat and as a starting point that 45 per cent of that corporation can be owned by foreign investors. Why would you do that?

You only have one chance to write these provision under the free trade agreement. If you're privatizing a Crown corporation, as you will know, Minister, as you've already said you know, you have one chance to limit, one chance to limit American investment and that's right now. If you pass this Bill the way it is, you guarantee that that 45 per cent will be a floor for ever. And why would you do that?

I look, for example . . . I don't have to look far for a precedent as to how it could be done, because your government has already laid before this legislature Bill 22, which is your famous Bill to privatize the energy division of SaskPower which you call SaskEnergy.

And in that Bill, you have proposed that the law with respect to the sale of shares, the sale of shares in SaskEnergy, will confine those shares to Canadian citizens or people who are a resident of Canada. And it says in your section 11 that:

No person shall purchase or hold voting shares . . . unless (they are) a Canadian citizen or a person who is a resident of Canada.

And you can't even get somebody else to hold the shares for you unless you are a resident of Canada. Now if that works with respect to Sask Potash?

(2215)

Let me suggest this to you, Minister, as a possible solution. Why don't you amend clause 11 to limit it to Canadian

owners or Canadian investors only, and run your first share issue, if you have to have one —and you seem to be bound to have one no matter what the objects are or what the public thinks. Why don't you run your first issue and limit it to Canadians? And only if that proves to be impossible and impractical and you can't carry out all your plans with respect to divesting yourself of the potash corporation, only then would you want to go to the foreign markets, and then you could come back here and get the permission of this legislature to do that sort of thing. But why would you choose as a starting point a guarantee of 45 per cent foreign ownership? In light of the provisions of the free trade agreement, it is a dumb thing to do.

Some Hon. Members: Hear, hear!

Mr. Mitchell: — So my question, Mr. Minister, is just simply this: will you consider transposing the provisions of your SaskEnergy Bill, section 11 of your SaskEnergy Bill, into section 11 of your potash corporation Bill, Bill 20, the Bill that's before the House?

Some Hon. Members: Hear, hear!

Hon. Mr. Lane: — Well I appreciate the remarks of the member from Saskatoon Fairview. And we did go through this debate last night, you and I, when we discussed the Bill, and I appreciate your opposition to the legislation. I suppose I'm disappointed that my persuasive powers have failed me through nearly 18 hours of debate to convince you to perhaps see our position. But again, when we talked about section 11 last night, and that deals with the limitation on shareholdings by non-residents, that the potash corporation issue is different from the SaskEnergy which was designed for Saskatchewan people.

We made it clear last night that one of the objectives is to have a wide distribution in the issue. Now you and I disagreed last night with out policy objective, but we did want the wide distribution. And that wide distribution will have the effect of maintaining share value and perhaps enhancing share value, improving the value of the investment for the shareholders, and particularly the shareholders in Saskatchewan.

But at the same time, section 11 puts some very serious constraints. And this deals with the . . . section 11 deals specifically with the limitation on shareholding, so that 45 per cent, only up to 45 per cent of the shares can be held by non-residents. But the more restrictive provision in section 11 is section 11(3), that if those non-Canadians own 45 per cent, then their votes cast, in the event that non-Canadians own more than 25 per cent, their votes can on any issue will be prorated down so that they will only count as 25 per cent of the votes cast on a particular issue. So even with 45, it's still only 25 per cent of the votes cast on a particular issue. So that is a tremendous constraint.

I won't get into the next clause dealing with the limitation of 5 per cent on an individual country or whatever, because the combination of the two, I suggest to the hon. member, has the effect of the 5 per cent limit ensuring that if there are people that want to acquire 5 per cent of the

shares and they're non-residents, they're not going to acquire them for voting purposes; they're going to acquire them for investment purposes. And there will be people that want to acquire for a passive investment and not for voting purposes, and I think that that is a powerful protection for Saskatchewan people in terms of the control argument.

So having said that, SaskEnergy was designed as an issue for Saskatchewan people. Saskoil was an issue designed for Canadians. This issue is designed for Saskatchewan people, Canadians, and some foreign investment — very controlled, very restricted. But we believe, given the likely size of the issue, that the broader distribution we have, the more public demand we have, that price of the shares will be up, and that will be to the benefit of the investors, of course, the government and the people of the province.

Ms. Simard: — Thank you, Mr. Chairman. The minister had indicated that if the 45 per cent is taken up and owned by non-Canadian residents. Well, Mr. Chairman, I feel quite confident in saying that the 45 per cent will be owned by non-Canadian residents. I think it's important to note that.

He also refers to 11(3) of the clause as being a tremendous constraint if this 45 per cent is limited to 25 per cent of the votes cast, and I say, Mr. Chairman, that that is not a tremendous constraint; it is not good enough; it is not adequate, and it could be and probably will be what makes the difference with respect to the control of this corporation.

What we have here as a result of section 11 is the fact that there is no guarantee, absolutely no guarantee in the Bill that any shares shall be held by Saskatchewan residents. Nowhere does it say in section 11, or in this Bill that Saskatchewan residents shall hold shares, Mr. Chairman. That means that we theoretically could have all the shares owned by non-Saskatchewan people. And in the Saskoil issue we now note that something like 75 per cent is held by out-of-province individuals, and I venture to guess that that is what's going to happen with the Potash Corporation of Saskatchewan.

We have a situation where, because of constitutional and legal restraints, there is very little power on the part of the province to control or regulate the industry. And this province is now turning around, this government is now turning around and giving control of a corporation which could be a leader, could be a leader in the international potash markets, owned and operated by the people, it is now giving control of that corporation through clause 11 and through this Bill to out-of-province and non-Canadian interests, Mr. Chairman. And I say that that's not acceptable to the people of this province.

And on top of that, the province has said that it will not be voting its shares, Mr. Chairman, not voting its shares except in extraordinary circumstances. And we have . . . Well it retains the right to vote but its' making an offer to the public that it will not vote its shares, with certain rights being retained to vote. But we have not been told in this Assembly when they are going to exercise that right, and what the legal precedent, if any, is on a clause of that

nature as to when the province could, in effect, exercise its rights.

So we have a situation where the province is undertaking not to even vote its shares, with 45 per cent foreign ownership, with perhaps the rest of the shares will be eventually owned by out-of-province interests. So we have a situation where there will be little if not control of this corporation by Saskatchewan people, Mr. Chairman — little if no control.

They are giving up and selling off Saskatchewan's heritage, a corporation that could be operating for hundreds if not thousands of years in the potash industry, bringing revenues to Saskatchewan people for building our highways, providing our health care programs, improving education programs, Mr. Speaker. But instead they are giving control of this corporation, and the revenues that it generates to the province, to foreign interests, Mr. Chairman. And I say that that's not acceptable.

And who benefits from that, Mr. Chairman? Is it the people of the province of Saskatchewan who will benefit from a corporation that is run out of Chicago or run out of Toronto or run out of some other place other than Saskatchewan? Is it the people of Saskatchewan? Will these people be thinking in terms of the best interests of the people of Saskatchewan? I say not, Mr. Chairman.

It is the multinational corporations, the foreign ownership that is going to benefit from the profits made by this corporation, the foreign ownership that is guaranteed by section 11 of this bill, that is reinforced by section 11 of this Bill, Mr. Chairman. That's who's going to benefit from the sell-off of a major corporation in Saskatchewan that has been lucrative and has paid Saskatchewan people dividends and royalties, taxes and royalties for many years, and has provided for our health care and education and our highways in the province.

And why is the PC government giving away the ownership of this corporation to foreigners, Mr. Chairman? I suggest it's for the purpose of creating a slush fund for the next provincial election.

Some Hon. Members: Hear, hear!

Ms. Simard: — The Minister of Finance has admitted, Mr. Chairman, that this will be a one-time injection of funds and he is not going to put it towards debt reduction. His original reasons, their original reasons, the Premier's and the cabinet members sitting on the front row, was to reduce debt. And he has admitted that it will not go to debt reduction, but in fact it's going to go to a slush fund for the next election.

Well I say, Mr. Chairman, that this isn't going to work, because the people of Saskatchewan simply aren't going to buy their line.

The province is in a situation, Mr. Chairman, where it is suffering. We have high rates of poverty, we have unprecedented unemployment; we have people leaving the provinces, young people fleeing the province because of unemployment. And it's all because of sell-off

to foreigners of Saskatchewan assets — sell-off or our Saskatchewan assets.

Some Hon. Members: Hear, hear!

Ms. Simard: — Foreign control of Saskatchewan assets is not working, Mr. Chairman, it is not working. The people in this province are suffering, and I say that it's time that this government stops now, stops now and withdraws this Bill completely.

Some Hon. Members: Hear, hear!

Hon. Mr. Lane: — Now let me respond to the hon. member. She says that she's opposed to foreign investment in the province and in the potash corporation. And I have indicated the constraints that are set out, and I'm going to run through a couple of points. Now we debated last night, the hon. member raised them again, and she said that the government does not intend . . .

Let me put it this way rather than debate. What will be in the prospectus with regard to the government intention on the voting is, as I said last night, that the government doesn't intend to vote its shares at the annual general meeting, but reserves the right to do so, retains the right to do so. So that provision is put out so that investors have the comfort that the potash corporation is going to be operated as a commercial enterprise. That's why it's there, and I specifically stated that it's the intention no to vote, but retains the right, retains the right to vote.

Secondly, let us restate how 11(3) operates. And let's assume 100 shares, and 40 are being held by the Government of Saskatchewan and 15 are being held by the employees and the people of this province for 55 — and I'm giving the worst case scenario for discussion — and 45 shares are held by the non-residents. I'm taking the worst case scenario. Understand what 11(3) says, which is that those shares held by the foreigners, those 45, are prorated down so that they will only be 25 per cent of the votes cast at the meeting. What happens, of course, is that those 45 then become 25, and those 15 held by the people become the 75 per cent, assuming the government doesn't exercise its right to vote.

So the way that that section operates is a tremendous constraint on the voting capability of the foreign investors. But they will be putting up their money and not getting the vote, in effect what will happen.

(2230)

So having said that, I think it fair for me to respond to the hon. member as to the operation of that particular section. The arguments have been stated and restated; obviously our positions differ. I believe that as wide a distribution as reasonable possible can be obtained with Saskatchewan protection, with this provision, and that the wider the distribution the higher the share price will be maintained by the investment community and that is to the advantage of the people of the province. It's certainly advantage to the residual holdings by the government, and it's certainly to the advantage of the investors in the province of Saskatchewan.

Mr. Trew: — Thank you, Mr. Chairman. I've been watching this debate now for two days with a growing sense of horror, horror for the people of my constituency, but horror for the people of Saskatchewan. This generation of us walking around on . . .

Mr. Chairman: — Order. We're on clause 11. You have to make your remarks relevant to clause 11.

Some Hon. Members: Hear, hear!

Mr. Chairman: — Order, order. The member must keep his comments relevant to clause 11.

Mr. Trew: — Mr. Chairman, it is the very clause 11, the clause of foreign ownership, that causes such horror for us, that is going to cause such long-term problems for the people of Saskatchewan. It's this very clause we're debating right now.

Some Hon. Members: Hear, hear!

Mr. Trew: — I have yet to see a multinational come into Saskatchewan and think first of Saskatchewan people. What do they think of? The very first order of business for them is protecting their bottom line, making a profit.

And where does the profit go? Does it benefit the constituents, the people of Saskatchewan? No, it goes to the shareholders, the foreign shareholders of these multinationals. A bit of it will go to whatever local shareholders there are, but we're dealing with the foreign ownership and that's exactly what this clause is about. That's what causing this sense of horror over this whole privatization plan that's gone afoul.

We look at an asset that is valued anywhere from a billion to \$2 billion or more; we are arguing it's more than \$2 billion or. But we compare it to Saskoil, which is one of the privatization schemes that the Tories hold up as a major success. And I noticed in the paper just the day, Saskoil had a half-year profit of \$3.6 million.

Well I mean it's crazy. We had over 14 times that profit with Potash Corporation of Saskatchewan. That profit stayed right here in Saskatchewan. The Saskoil profit for those shareholders that are out of the country, those dividends left, left completely. That's what's got me so upset about this particular Bill. There just isn't going to be the benefits for the people of our province.

I am wondering the Finance minister can tell us how it is going to be more beneficial to the people of Saskatchewan to have this foreign investment, these shares held by foreigners? They're going to expect dividends. They're going to get dividends every time the company makes a profit. How is it somehow going to be more beneficial to use to in perpetuity pay dividends to foreigners as opposed to paying off self-liquidating debt as has always been the case with the Potash Corporation of Saskatchewan?

Hon. Mr. Lane: — I am prepared to respond, but I'd appreciate the comments made by the Leader of the Opposition. If he wants to take the time, it's fine with me.

Some Hon. Members: Hear, hear!

Mr. Romanow: — Mr. Chairman, may I say first of all, by way of explanation, a few words with respect to the opposition's reaction to your last intervention as my colleague from Regina North got up.

It's not that we challenge particularly the ruling that you make on the Chair, but you will appreciate that this is now the remaining minutes of a first-ever, unprecedented closure act on the legislature. And even if the member in his first two sentences had slightly wandered off the agenda on this very important Bill — probably most important Bill ever — you can understand the frustration of the opposition; you can understand the frustration of the people of the province of Saskatchewan in this most undemocratic act ever in the history of the province of Saskatchewan.

Some Hon. Members: Hear, hear!

Mr. Romanow: — Now, Mr. Chairman, I wish to address a few more remarks with respect to clause 11 of this bill, and I want to begin by making an observation to this question or the answer which has been presented by the Minister of Finance about the so-called guarantees against foreign ownership. And we've heard the explanation by the Minister of Finance, which explanation he would have us believe are guarantees that the 45 per cent ceiling somehow doesn't mean effective transference and loss of this Potash Corporation of Saskatchewan, let alone just from the people of the province — lost to foreign investors. He would have us believe that these guarantees, which are set out in this Bill, are sufficient to in fact state and to meet his objective.

I want to say to you, Mr. Chairman, that in my judgement, the arguments advanced by the Minister of Finance was not only felicitous in law, but they were felicitous in political and economic objectives as well. These are arguments of a Minister of Finance who is determined, notwithstanding what the evidence is, that this privatization go ahead and, may I say, notwithstanding what the evidence is, at a level of 45 per cent foreign ownership of this resource in Saskatchewan, of Canadians, because we are Canadians and many countries in the world are concerned about preserving and maintaining and strengthening their own domestic control, and we're going the other way around.

Some Hon. Members: Hear, hear!

Mr. Romanow: — This is why the government opposite is turning back the clock to another era, to yesteryear. This is why the government opposite is back in the 1930s. This is why this government has surrendered to what it believes are the inescapable economic forces over which it is either hapless or helpless to control their effect. This is why this government by this clause has said foreign ownership can take place to the extent that it does take place because it is devoid of ideas, it is devoid of guts to control the economy for our people and the future of our people.

Some Hon. Members: Hear, hear!

Mr. Romanow: — Mr. Chairman, to guarantees argument by the Minister of Finance, as I say, are specious and certainly very shallow, and they do not satisfy us. I doubt that they're going to satisfy very many Saskatchewan people or thoughtful Canadians who consider this issue. Regardless of what their point of view on privatization may be, this 45 per cent sell-off to foreign corporations and foreign nations, regardless of what their issue and their position may be on the issue of privatization, the argument of guarantees will go very little, a very short distance to persuading that there isn't the damage that we say that there is going to be.

And I want to cite just simply, Mr. Chairman, before I sit down, a story in *The Financial Post*, which story in *The Financial Post* is dated March 13, 1989. Now we know that this government patterns a lot of its privatization — but unfortunately for us and for those who believe in true privatization, not enough — patterns itself under the experience in the United Kingdom and the experiences of Maggie Thatcher, the Primer Minister of the United Kingdom. We know that to be the situation because they are getting their lessons, they are getting their directions — they're not following all of them — from the foreigners and the foreign ownership provisions. they're getting them from the Oliver Letwins and the Madsen Piries; they're getting them from the Maggie Thatchers; they're getting them from a government and a socio-economic and cultural climate which is as foreign and as different to Saskatchewan and Canada as is night from day. That's exactly where they're getting their directions.

Some Hon. Members: Hear, hear!

Mr. Romanow: — But nevertheless, returning to my article in *The Financial Post*, what do we see? We see that even there, under the privatization, on the foreign ownership provision, Mr. Speaker, that the so-called guarantees, that this minister would have us believe are guarantees, have not been working in all of the instances.

According to this headline in *The Financial Post*, the headline says it all. "Foreigners buy too much British Aerospace equity," is the headline. The story says:

In London, British Aerospace announced this week that (now get these words) its 15 per cent ceiling on foreign shareholdings have been breached.

And then the story goes on to say about how the ceiling has been breached and how it is difficult for them to in fact recapture and do something about it.

Now there are two dimensions to that story which I think are very important. this is from the country and from the authors of privatization; it is the gurus of privatization in the United Kingdom, a country of 50 million or more, a country with a stronger economic base than we have. They say that they cannot control of guarantee the limits on foreign ownership even though they set them at 15 per cent, Mr. Chairman.

And our Minister of Finance is telling this province and this legislature that he's going to succeed where Maggie

Thatcher could not succeed and cannot succeed. I say that if we believe that, then we'll believe that the Minister of Finance has got a bridge somewhere to sell to the people of the province of Saskatchewan. That's what I think will happen.

Some Hon. Members: Hear, hear!

Mr. Romanow: — There are no such things as guarantees. there are no such guarantees once the shares go on the open market. The shares are traded on the open market; it's as simple as that. You're gong to have policemen, policemen all over the place to try and check that the 15 per cent ceiling on British Aerospace is maintained or isn't maintained. here we've got a ceiling of 45 per cent.

There are no guarantees, and the Minister of Finance knows that. And to say that there is a guarantee is not playing with the truth. It is misleading the people of the province of Saskatchewan and misleading this legislature. and I say for that, this Premier and this Minister of Finance will for ever pay the political price for selling this down the road.

Some Hon. Members: Hear, hear!

Mr. Romanow: — Unfortunately, Mr. Chairman, for this 45 per cent provision on section 11, they're going to pay the political price. Unfortunately for the rest of Saskatchewan, we're going to continue to pay the price and pay the price because of this government's adamant one policy — sell, sell, sell, sell, at every cost. That's all this government's approach is. Sell. they don't buy and they don't build. They sell and they sell.

Now get this other thing about the British experience, Mr. Chairman. Their limitation is 15 per cent, Mr. Chairman. Maggie Thatcher, in a country of 50 million people and homogeneous economy of strength, they are concerned of foreign ownership; they're limiting it to 15 per cent.

But not our brave souls here, Mr. Chairman. No, sir. They think they can handle up to 45 per cent. they think that they are tougher and they're smarter than the United Kingdom. They think that those Americans who come across the border are just easy pickings for the Minister of Finance and the Premier of the province of Saskatchewan. Why, they now how to skin them. We see how they've skinned all those foreigners and Weyerhaeuser deal and the Pocklington deals and all of the other investors who have come in and simply had it handed over to them on a platter.

I say, Mr. Chairman, that it is a disgrace that we have set a 45 per cent ceiling on foreign ownership when other countries, other countries which are more secure and more mature and more capable of being able to tolerate a higher level of foreign ownership, are saying that 15 per cent is the limit. That, I say, is a sell-out of the potash corporation and a sell-out to foreign corporations and nations. And we object, Mr. Chairman. We object.

Some Hon. Members: Hear, hear!

Mr. Romanow: — So there are no guarantees, Mr. Chairman. Make no mistake about that. Not only are

there no guarantees, Mr. Chairman, make no mistake about that. Not only are there no guarantees, Mr. Chairman, but we cannot trust the Premier on their assurances on this clause. that's what they're telling us is assurances, they're giving us interpretations. I've given you the specific example where this guarantee on foreign ownership hasn't worked in the United Kingdom. there's no reason to suspect it's going to work in Canada if it can't work over there. But we shouldn't trust them on their assurances. We've heard assurances on foreign ownership, we've heard assurances on privatizations, we've heard assurances on budget estimates, every one of which have been broken in one form or another, Mr. Chairman, by this government.

(2245)

I have here in front of me a segment from a document called PC Pocket Politics. This is a document, sir, that you as chairman, and all the members opposite will be very familiar with, a document circulated to every candidate in the 1982 election. the 1986 election versions of it were also set out and described and I'm going to read to you one question of it. It says this:

Question: Is it true the Conservative plan to dismantle the Crown corporations? (is the question that the PC Party is telling its candidates to answer)

Answer: Absolutely not. That's a scare tactic the NDP is using.

Mr. Chairman: — Order. The time for debate has elapsed according to the special order. The time for debate has elapsed according to the special order. All the votes will now be put.

Clause 11 as amended agreed to on division.

Clause 12

Mr. Chairman: — Order. There's an amendment to clause 12:

Amend section 12 of the printed Bill:

(a) in subsection (1) by adding, "directly or indirectly" after "hold"; and

(b) in subsection (5) by striking out "as shareholders or as beneficial owners".

Amendment agreed to on division.

Clause 12 as amended agreed to on division.

Clause 13

Mr. Chairman: — There's an amendment to clause 13 moved by the Minister of Finance to:

Amend subsection 13(2) of the printed Bill by striking out "purchaser corporation may include" and substituting, "purchaser corporation shall

include."

Clause 13 as amended agreed to on division.

Mr. Chairman: — Order, order.

Clauses 14 to 18 inclusive agreed to on division.

The division bells rang from 10:49 p.m. until 11:03 p.m.

Clause 19 agreed to on the following recorded division.

Yeas — 34

Devine	Martin
McLeod	Toth
Andrew	Sauder
Berntson	Johnson
Lane	McLaren
Taylor	Hopfner
Smith	Petersen
Swan	Swenson
Muirhead	Martens
Maxwell	Baker
Schmidt	Wolfe
Hodgins	Gleim
Gerich	Neudorf
Hepworth	Gardner
Hardy	Kopelchuk
Meiklejohn	Saxinger
Pickering	Britton

Nays — 19

Romanow	Solomon
Prebble	Atkinson
Rolfes	Goulet
Shillington	Hagel
Lingenfelter	Calvert
Tchorzewski	Lautermilch
Koskie	Trew
Brockelbank	Smart
Mitchell	Van Mulligen
Simard	

The committee agreed to report the Bill.

The Assembly adjourned at 11:08 p.m.