

AFTERNOON SITTING

ROUTINE PROCEEDINGS

INTRODUCTION OF GUESTS

Hon. Mr. Devine: — Thank you, Mr. Speaker. It's my pleasure to introduce to you and through you to all the members of the Assembly, two athletes who are representing Team Saskatchewan and who will be competing at the Canada Games in Saskatoon. The two members are Denise Robinson, who belongs to the women's softball team, and Kent Kowalski, who was a member of the men's soccer team. They are accompanied by Bob Lowe, coach for wrestling, and by Parks, Recreation and Culture staff, Mr. Gene Lambert. These Team Saskatchewan members are seated in the Speaker's gallery. They're also accompanied by their parents.

Mr. Speaker, as you know Canada Games celebrate athlete excellence and participation and the games officially open Sunday and will close August 26. These athletes will compete in the second half of the games. Most of the Team Saskatchewan athletes, coaches and managers are already in Saskatoon preparing for the competition.

So I certainly encourage all members of the legislature and all members of the public to come out and cheer these fine athletes and coaches and parents on. They are part of a 350-member team that I believe will put Saskatchewan in very, very good stead at the summer games.

So I want to welcome them here. I want to thank Parks and Recreation. I want to say thanks to the coaches, and particularly thanks to the parents who have worked so hard to make this a successful team. Please welcome these athletes . . .

Hon. Members: Hear, hear!

Mr. Tchorzewski: — Thank you, Mr. Speaker. On behalf of the opposition, I too would like to extend a welcome to the athletes and the coach and others who are with them here today. This is a tremendous competition. Most of us have witnessed some of them. We are proud of the athletes who are a part of Team Saskatchewan. We know that Saskatchewan is proud of the athletes who are part of Team Saskatchewan, and we along with all of Saskatchewan wish them well in their competitions and know that they're going to do the best they can and make us even prouder. Thank you very much.

Hon. Members: Hear, hear!

ORAL QUESTIONS

Population Loss in July

Mr. Hagel: — Mr. Speaker, I direct my question to the Minister of Human Resources, Labour and Employment. Mr. Minister, the numbers released by your bureau of statistics yesterday mean more bad news for

Saskatchewan, unfortunately. In July, again, Saskatchewan lost more people than moved into our province, making July at least the 31st month in a row in which Saskatchewan has lost people from our province.

Mr. Minister, in July alone we lost 1,507 people, a net loss, bringing the total in the first seven months of this year alone to 14,639 — more than 2,000 a month. And I ask you, Mr. Minister, will you stand in your place in this House today and admit to the people of Saskatchewan that your government's economic policies have failed and failed miserably for the people of the province Saskatchewan?

Some Hon. Members: Hear, hear!

Hon. Mr. Schmidt: — Mr. Speaker, a few months ago this member scoffed when I said we should pray for rain. When I drove up today it was 97 Fahrenheit, plus 36. Maybe the member should have a change of heart and pray for rain.

Secondly, Mr. Speaker, there is good news within the situation in Saskatchewan. While we are now reduced to a better than average crop, that is still a lot better than the drought we had last year, this government's policies have created thousands of jobs outside of agriculture, and while they can't make up for the great loss in agriculture, there is noticeable improvement.

In addition, Mr. Speaker, when you look at the employment statistics and the unemployment statistics, the province of Saskatchewan has the second lowest rate of unemployment for women in all of Canada, second only to the province of Ontario. That shows that our policies are starting to work.

Some Hon. Members: Hear, hear!

Mr. Hagel: — Mr. Speaker, new question to the same minister. Mr. Minister, if things are getting better, then explain to me why it is that we've already lost more people this year in seven months than in all of 1988? Will you explain that to me, sir?

We had the distinction, Saskatchewan had the distinction in 1988 of having lost more than twice as many people than any other province in all of Canada, and it's getting worse. It's getting worse. This year alone we have already lost more than 1,300 more people than in all of last year, Mr. Minister, and I say that is a tragedy. It is a human tragedy. Make no mistake.

And I ask you, sir: how bad does it have to get, how bad does it have to get before your government stops its betrayal of Saskatchewan people and realizes that privatization is the problem, not the solution, and gets on with a new course, a new course for the people of Saskatchewan?

Some Hon. Members: Hear, hear!

Hon. Mr. Schmidt: — Mr. Speaker, what would the member opposite want us to do — buy some more farm land? That will create jobs. Buy some more holes in the

ground; buy some more packing plants that already exist; buy a pulp mill that already exists? Is that his solution? He has no solution.

At least we are building a fertilizer plant in his own backyard, and he's against it. Where does he want his people to work — in Alberta, where the fertilizer is now produced? The member opposite produces fertilizer, but it's not worth anything. We need real fertilizer produced in this province.

Some Hon. Members: Hear, hear!

Shortage of Occupational Therapists

Ms. Simard: — Thank you, Mr. Speaker. My question is to the Acting Minister of Health, Mr. Speaker, and it has to do with the Children's Rehabilitation Centre in Saskatoon. Mr. Minister, you will recall that some time ago I raised the question about the Children's Rehab Centre in Saskatoon and the lack of occupational therapists, who all resigned, as I understand, near the end of June because of unrelenting demands and increasing workloads.

Now, Mr. Minister, I think one of these therapists has returned, but only for a short period of time, and she's on holidays now until September. And it doesn't look as though the other two positions are going to be filled. Meanwhile, we have a long waiting list of children who need therapy and want to get therapy at the rehab centre.

I raised the question about a month ago, and I'm once again asking, Mr. Minister: what is your government going to do to make sure that there are therapists employed at the rehab centre in Saskatoon?

Hon. Mr. Taylor: — Well certainly, Mr. Speaker, I've learned, from various questions before, that, in all due respect to the member opposite, sometimes her facts are not correct.

However, what she raises is a serious concern and certainly, having been the minister when we built the Children's Rehab Centre, put it together with the Brunskill School, the first of its type in Canada, in co-operation between the university, University Hospital, and the Saskatoon school board — it's a shining example — I know that therapy is important to people.

I also realize that many families are on holidays at this time and children will be coming back into the school system into September, and I'm sure that the minister is doing whatever he can to fill the positions that are vacant at this time.

Some Hon. Members: Hear, hear!

Ms. Simard: — Well obviously, Mr. Speaker, the minister doesn't know what the facts are. One month ago I raised it in this legislature and the Minister of health said he'd report back, and we haven't heard from him yet and no action has been taken. And I'm asking you whether you will make this a priority and get that rehab centre properly staffed?

Some Hon. Members: Hear, hear!

Hon. Mr. Taylor: — Well I think it goes without saying that I certainly believe in the rehabilitation for handicapped children, and I take it upon myself to pass it on to the minister to see that it is staffed as soon as possible. And I feel sure that the minister and his people in Health are looking to replace those people at this time. I think you know, Mr. Speaker, as do people in Saskatchewan, those are rather specialized training and you just don't pick up people like that overnight. I'm sure that every effort is being made to staff the vacancies.

Some Hon. Members: Hear, hear!

Ms. Simard: — Thank you, Mr. Speaker. You don't pick up people like that overnight; that's correct, Mr. Minister. And so far your government has refused to establish a school of occupational therapy in Saskatchewan which would go a long way to having more occupational therapists in Saskatchewan.

You know, Mr. Minister, that the longer a child waits for needed therapy, the greater the problem is down the road; that it's crucial that these children receive their therapy immediately. These children should not be on waiting lists. One parent told me: there's nobody to help out our son with his problem. That was a statement made to me by a parent. We are hearing from parents across this province, Mr. Minister.

I want to know what your specific plans are for the purpose of staffing the rehab centre. I don't want to hear about, oh yes, well we're doing the best we can. I want to know what your plan is, what strategy you have, and I'd like to know today what that is, Mr. Minister.

Some Hon. Members: Hear, hear!

Hon. Mr. Taylor: — Well I go back a number of years, and the member who was the minister of Health in the Blakeney government will recall me standing on that side of the House, exactly in that seat over there, begging for funding to be renewed to the Alvin Buchwold Centre. And I'll give you credit that year you did, you did. After me urging you, you did.

From those beginnings, we built the Children's Rehab Centre in Saskatoon. So you can take it from me that I am concerned. And if you're concerned enough to give me the name after question period of the people who've contacted you, I will personally phone them.

Some Hon. Members: Hear, hear!

Joytec Grants

Mr. Prebble: — Mr. Speaker, my question is directed to the Minister of Science and Technology, and it has to do with Joytec and with the mistake that the minister made in providing that company with over a million dollars in tax credits.

After seven years, Mr. Minister, Joytec has finally made a small sale. Through its marketing partners in Japan, 50 golf simulators have been sold, and Technigen, Joytec's

parent company, claims that it's going to make \$175,000 on that sale.

Now, Mr. Minister, Joytec has walked out of this province with \$1.1 million. You said back on March 9 that the company would be . . . you expected the company would be sending you a cheque for that money, and to quote you "in a matter of months." Not likely, Mr. Minister, when their entire gross revenue is \$175,000.

And my question to you is this: just how is your government going to get Saskatchewan taxpayers' money back, the \$1.1 million back, in only a matter of months, when Joytec's entire gross revenue is only \$175,000?

Some Hon. Members: Hear, hear!

Hon. Mr. Meiklejohn: — Well, Mr. Speaker, I assume that this is the same Joytec that the members opposite assisted in driving out of the province of Saskatchewan. So I think it's really something that they're interested in this.

I would point out, Mr. Speaker, that the terms of the agreement with regard to the venture capital grant that Joytec Equities received was that, I believe, they have up until March of 1991 before they have to make any decisions or have to pay back this money. But I had the assurance from the president that this money would be paid back. They're aware of the fact that they are liable for that amount of money, and they will be paying it back. But they do have some time yet, Mr. Speaker, before they have to do that.

The Speaker: — Order, order. Order, order. Before the hon. member puts his question, I would like to ask hon. members to allow the questions and the answers to go forward without the stream of constant discussion going on in a sub-level, one might say,

Mr. Prebble: — Thank you Mr. Speaker. A supplementary, Mr. Speaker, to the minister. Mr. Minister, you will know that Technigen, the parent company of Joytec, was boasting in 1987 that it had signed sales agreements in North American for more than 6,700 golf simulators valued at \$122 million, when in fact no such sales agreements had been signed. You provided Joytec with over a million dollars to manufacture golf simulators, and in fact none were manufactured for sale.

In dealing with Joytec, Mr. Minister, you either failed to investigate the company adequately, or else you knew no golf simulators were being manufactured for sale, and you failed to act.

And my question to you is simply this, Mr. Minister. Now that all we have is a bitter memory and a bill for \$1.1 million, what steps are you going to take to recover this money for the people of Saskatchewan, Mr. Minister? We want your plan for the recovery of that \$1.1 million, and we want to hear it today.

Some Hon. Members: Hear, hear!

Hon. Mr. Meiklejohn: — Well, Mr. Speaker, I'll be happy to tell the hon. member today what the plan is. This was not \$1.1 million that this government gave to Joytec at all.

This was money that was given through the investors through the venture capital fund. It was a tax rebate, as such, that these people received, and it had nothing to do with the Joytec itself — it's to the investors. And it's an income tax break that they got for the investment in this particular company.

Now as I've indicated earlier, Mr. Speaker, the terms of the agreement under the venture capital fund is that they have a given period of time in which they have to either pay back this money or make further investments in the province — it could be to do with other industry that they might start in the province — and I believe, Mr. Speaker, that that time deadline is March in 1991.

Some Hon. Members: Hear, hear!

Mr. Prebble: — New question to the minister, Mr. Speaker. Mr. Minister, I notice that you argue that the NDP was driving Joytec out of the province when in fact Joytec admits, Mr. Minister, that the reason it's left Saskatchewan — and I quote you the July 24 *Globe and Mail* — is because of an inadequacy of trained staff in this province.

Mr. Minister, what we have left after you've given the company 1.1 million in tax credits is whatever jobs existed here have gone to B.C. Whatever manufacturing of golf simulators that's taking place is taking place in Japan. You've clearly got no specific plan to collect the \$1.1 million. I wonder, Mr. Minister, if you'd do the honourable thing in light of the fact that you've clearly mishandled this issue and that is, submit your resignation to the Premier of the province.

Some Hon. Members: Hear, hear!

Hon. Mr. Meiklejohn: — I didn't realize, Mr. Speaker, that Friday was joke day, but it certainly sounds like it is.

Mr. Speaker, let me point out to the hon. member opposite that the only funding that has been provided to Joytec by the Department of Science and Technology was some \$76,000 in grants, Mr. Speaker, \$76,000. And considering the fact that Joytec had on their payroll up to as many as 30 people over a period of some five or six years, there was a tremendous amount of money spent on research and development, Mr. Speaker. So I don't think that we have to make any apologies at all for the money that has been given to them in grants from the Department of Science and Technology.

As I said earlier with regard to the \$1.1 million in tax credits that was given through the venture capital corporation, the investors in all cases here met the criteria for this particular fund. And I can assure the member that in time if the money is not paid back, that then the government will have to take a step. But the president of the company has clearly indicated they realize that they are liable, but they do have until March, I believe, of 1991 before they have to take any further action in paying this money back.

Some Hon. Members: Hear, hear!

Payment of Grain Subsidy

Mr. Koskie: — Thank you, Mr. Speaker. I'd like to direct a question to the Premier. Mr. Premier, you attended a federal-provincial agricultural conference, and the farmers across Saskatchewan are wondering whether there was any discussion at the time in respect to providing and continuing the grain transportation subsidy to farmers. I want to ask you whether or not transportation subsidy was discussed and whether or not that grain transportation subsidy to farmers is in jeopardy.

Some Hon. Members: Hear, hear!

Hon. Mr. Devine: — Mr. Speaker, the hon. member is asking about whether the method of payment with respect to the Crow was discussed. It was not formally discussed; it wasn't on the agenda. Some ministers talked to the federal minister informally about where they were and what they would recommend. Certainly there's a difference between provinces. We've recommended 50-50. Alberta wants everything going to the farmer. Other provinces are somewhere in the middle.

The federal government is looking at all transportation. They gave us a report on rail and on trucking and on roads and some of the implications of the international negotiations that are going on at GATT (General Agreement on Tariffs and Trade) on transportation and subsidies. It was just a general discussion, nothing specific with respect to the method of payment.

Mr. Koskie: — A new question to the Premier. Mr. Premier, at the present time the grain transportation subsidy is paid to the railway. Would you indicate to the House why you have taken the position that it should be split 50-50 as you indicated.

Some Hon. Members: Hear, hear!

Hon. Mr. Devine: — Well, Mr. Speaker, we have talked to lots of farmers about it. And certainly people in the livestock industry and those that are in diversification want the money paid to them. And people like the Saskatchewan Wheat Pool, at least to date, have said we should be paying it to the railroads.

Now you've got the United Grain Growers who say that it should go to the farmers, and the stock growers that say it should go to the farmers, and the hog producers who say it should go to the farmer. So it's split out there. So we've said, look, until the farmers make up their mind, we'll just look at it open-mindedly.

I have talked to some of the major organizations and they say the key for Saskatchewan is to make sure if we get, say now, 55 to 57 per cent of it, that we maintain that ratio, and that's the most important thing to lock in. And then how it's paid and who it's paid is another discussion.

And so we said of course we will defend the fact that we have had 57 per cent, or whatever it may be historically, and that that percentage should stay the same. And then we'll talk to farmers processors, manufacturers and others who are in the diversification of agriculture, what their views are.

Some Hon. Members: Hear, hear!

Mr. Koskie: — Additional question to the Premier. Mr. Premier, as you know the Saskatchewan Wheat Pool is challenging the change in the payment from the railway to the position of paying to the farmers. That is the position of the Saskatchewan Wheat Pool. Mr. Premier, in light of your analysis, in light of your analysis of the benefits as to how it should be paid, and also in light of the fact that paying it to the railways has certain control over the performance of railway in meeting the producers, I want to ask you: why have you abandoned the position that was initially adopted that it should be paid directly to the railways?

Some Hon. Members: Hear, hear!

Hon. Mr. Devine: — Mr. Speaker, I will paraphrase some of the research that we're doing jointly with the elevator companies, the co-operatives, wheat pools and farm groups, and what not. There are clearly benefits that have been identified in terms of diversification, like processing of vegetable oils, canola oil here in the province, if you pay the producers, and the wheat pool has identified them. And there are benefits to the livestock industry if you pay the producer, and there's benefits to the malt producer, and there's benefits to all kinds of diversification, if you pay the producer.

What we're studying with the wheat pool is what would that cost on the other hand, if you're going to sacrifice those payments broadly across to the railroads. So we want to say, let's make sure the lump sum money stays here, in total, but maybe we can figure out better ways to pay that out once we've got the whole bundle here.

And we're doing some really good open research. I'm sure you can get it from the Saskatchewan Wheat Pool, and from UGG (United Grain Growers), anybody else you want to talk to. But it's to weight those two so that we get the full benefit of all the money and the best benefit of paying the appropriate people the appropriate amount.

Some Hon. Members: Hear, hear!

Mr. Koskie: — Mr. Minister, you talk about the research that's being done by the wheat pool and the UGG. I want to know whether you have done an analysis in your department, and whether or not you could indicate what your recommendations are, because you have to provide leadership, not just go with the flow of the crowd.

Some Hon. Members: Hear, hear!

Hon. Mr. Devine: — Mr. Speaker, the hon. member says, don't go with the flow. Well, if the farmers and the wheat pool happens to suggest something that was reasonable, would you want me to join them? Well of course you would. Right?

So I'm saying I'm listening to all the farmers. I'm talking to the hog growers, and the beef growers, the canola growers, the processing, manufacturing, people who are involved in privatization like the Saskatchewan Wheat Pool, the barley growers, the malt producers, and they're coming up with some very good ideas. The Department

of Transportation from the ministry of transport is doing some research along with economic development, with the trade and with agriculture, as well as with the federal government.

Now we're looking at helping municipalities, we're looking at roads, we're looking at taxes, we're looking at the combination of things that we could do with \$840 million. Now are you so hidebound, are you so hidebound by your philosophy that you can't even afford to look at diversification in Saskatchewan? Look at, I'll tell you, you are quite a ways behind. Most of the co-operatives in this province who are looking very aggressively into the 21st century, you've got a long ways to go just to catch up to some of the co-operatives, and I give the co-ops a lot of credit because they're leaving people like you behind.

Some Hon. Members: Hear, hear!

Hon. Mr. Devine: — That processing and diversification is very important and we're going to back it up wherever we can.

Some Hon. Members: Hear, hear!

Commercial Day Care

Ms. Smart: — Mr. Speaker . . .

The Speaker: — Order, order.

Ms. Smart: — Mr. Speaker, my question is to the Minister of Social Services. Mr. Minister, I want to bring to your attention a major problem being experienced by the government in Manitoba, and it's a problem that I think has serious implications for Saskatchewan. Mr. Minister, a commercial day-care chain in Manitoba is under attack for feeding children food that has gone bad, for having virtually no food on hand to feed the children lunch, for inadequately training staff, and failing to meet staff-child ratios.

Mr. Minister, the complaints about the Raggedy-Ann day-care chain were presented to the Manitoba government over a period of several months, and despite this, the government there granted provisional licences and the facilities continued to operate. Now your government has introduced legislation which will allow commercial day cares in Saskatchewan. Can you assure this House today that this legislation is not opening the door to the same kind of problems that Manitoba is now grappling with?

Some Hon. Members: Hear, hear!

Hon. Mr. Schmidt: — Mr. Speaker, I have a difficult enough time accepting alleged facts presented from the province of Saskatchewan by the members opposite, so I couldn't comment at all on alleged facts from the province of Manitoba, nor do I have any responsibility for policing the regulations of child care in the province of Manitoba.

I can assure you this, Mr. Speaker, that there is one set of rules for child care in Saskatchewan; there will always be

one set of rules and regulations for child care in Saskatchewan, and all operators will be required to follow them.

Some Hon. Members: Hear, hear!

Ms. Smart: — Mr. Speaker, when the minister's proposing legislation to make such drastic changes to the child care legislation in Saskatchewan, he'd better become informed about the problems that are going on across this country with commercial day-care centres.

Some Hon. Members: Hear, hear!

Ms. Smart: — And if commercial day care is going to be allowed in Saskatchewan by your government, we must provide the best possible regulatory protection for the children who will use these facilities.

Mr. Minister, the legislation that you have introduced allows for the same provisional licences to be granted if a day-care centre is not meeting the legislative standards, and in fact, your legislation allows your government to totally exempt facilities from meeting the regulations. Will you acknowledge that by these exemptions you are heading us in precisely the same kind of problems that are now occurring in Manitoba?

Some Hon. Members: Hear, hear!

Hon. Mr. Schmidt: — Let me point out, Mr. Speaker, that the current child care situation in Manitoba was not built or developed by the Conservative Government of Manitoba, and that the members opposite had considerable power for a considerable period of time in the province of Manitoba, and maybe they should go to Manitoba and ask that question.

In Saskatchewan, I said we will have the same rules for everyone and they will be enforced. And I might say that the Department of Social Services, since I've been minister, has had a reputation for enforcing the rules of this province, and we will continue to do so.

Lastly, Mr. Speaker, lastly, the member opposite is fearmongering on speculation of allegations from another province which have absolutely nothing to do with Saskatchewan.

Some Hon. Members: Hear, hear!

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, Mr. Chairman. Mr. Minister, I want to return to the question I was on before we broke at 11 o'clock.

Mr. Minister, we spent part of yesterday decrying the fact that, whereas we once had a major mining company —

one of the larger mining companies in Canada and the largest potash mining company in the world — whereas that used to be a Saskatchewan company, it is shortly going to be owned wholly or in part by foreigners.

Saskatchewan is losing control of one of its major resources and that's a fact which we deeply regret; it's a fact that the public of Saskatchewan regret as is shown by the polls. Mr. Minister, it is most unfortunate that you are so immune to public opinion and so insensitive to your responsibilities.

I pointed out first thing this morning, Mr. Minister, that we have some very serious concerns about the price at which this thing will be sold. It is part of the bible according to Margaret Thatcher's disciples that when you sell these things, you sell them for less than what they're worth so that the shareholders realize an immediate appreciation in value and then everyone thinks they've got a grand deal.

We tried to point out to you, Mr. Minister, that you're not responsible to shareholders in Toronto, Winnipeg, Vancouver, Dallas, Tokyo, or London; you're responsible to taxpayers in Saskatchewan. And if this thing is sold for less than what it's worth, they're getting a very, very raw deal for they're going to be left with the debt while someone else gets the assets at less than what they're worth.

Mr. Minister, we asked you what the commissions were; you told us 5 per cent. I was surprised they were that high, but that is the figure which you gave us.

An Hon. Member: — I didn't say that.

Mr. Shillington: — Well there's no point in the minister denying it. I have taken . . . since I'm dealing with the ministry of truth and since your reputation for integrity far exceeds you, I took the liberty, Mr. Minister, of getting a copy of *Hansard* from this morning. I well anticipated that you would try to deny what you said this morning.

So, Mr. Minister, I would advise you not to stray too far from what you said this morning. It is inconceivable that you could repeat the same sentence twice given your penchant for inventing new facts and your inability to remember the real ones. But, Mr. Minister, I warn you that I have on my desk a copy of the *Hansard* from this morning, so stick to what you said this morning and don't invent any new facts; stick with facts that you invented this morning.

An Hon. Member: — Table it, table it. Table it, table it. I don't believe you've got a copy.

Mr. Shillington: — Of course I'm not going to table it. I want to use it.

Mr. Minister, we asked you what the commissions were. You said that they would be 5 per cent. We pointed out that that was an enormous sum of money. The public of Saskatchewan have far better uses for that 20 million or 40 million or 50 million, or whatever it turns out to be, than to pay it to your friends, your friends in the investment business, and that's where it's going, to

people . . . You are supporting the like of Mr. Jacobs, who in turn . . . those investment firms have supported you very loyally. I may say, for the \$30,000 that they invested, they're very handsomely rewarded, very, very handsomely rewarded, Mr. Minister.

Mr. Minister, that was the last piece of information you gave us. Having embarrassed yourself with that bit of information, you clammed up for the rest of the morning. Any attempt to elicit from you information on the amount of advertising you had budgeted, the legal fees for this thing, elicited a pathetic, silly, and empty-headed attempt to stonewall. You talked about everything under the sun except the questions which were put to you.

Mr. Minister, we are angry and we think we have every right to be angry. What you have imposed here is double whammy. You've brought in closure and then you stonewall, and one wouldn't be so bad without the other, but the two of them together mean the public of Saskatchewan have got very little information about this asset which is theirs.

Mr. Minister, if there weren't closure here, I can assure you that I and my colleagues would keep you here until you finally came to your senses and gave us some information. But you know full well that all you have to do is last another seven hours and you are out from underneath it. It's a thoroughly despicable, Mr. Minister, a thoroughly despicable way to treat this Legislative Assembly.

Mr. Minister, I want to ask you about the prospectus. I want to ask you, Mr. Minister, if you will at least show us the courtesy of giving us the preliminary prospectus.

Hon. Mr. Lane: — Well if, and I have strong doubts as to whether you have a copy of *Hansard* because if you had, then you did not read it, because what I said was that the commissions we would expect to be . . . that they are normally in the 5 per cent, that it could be lower. But I said . . . You said that that's high. You say that's high. that, frankly, tells you how little you know, because it's often 7. It's often 7.

An Hon. Member: — It is not.

Hon. Mr. Lane: — Yes it is. It's often 7, but the issue, usually on a larger issue it will be 5 or whatever is negotiated, slightly less than that. So I gave you 5 per cent, and behind that figure . . . but I also said this morning that it could be slightly lower than that. so that's what I said.

Now you ask about the preliminary prospectus. Preliminary prospectus is not prepared. And when that . . .

An Hon. Member: — I don't believe that.

Hon. Mr. Lane: — Well whether you believe it or not, I'm telling you it's not. but it will be made public obviously when the prospectus is issued. And I will personally assure the hon. member that I will get him a copy immediately.

Mr. Shillington: — Mr. Minister, I just simply don't believe that the preliminary prospectus is not ready. You

said this morning, Mr. Minister, that you expected the shares to issue in late September or early October. That gives you . . . and I'm going to ask the page now to go downstairs to *Hansard* and get another copy of the *Hansard* from this morning, because I want to read back to the minister what he said. So I'd ask the page now to go and get a copy of *Hansard* the first half hour this morning.

Mr. Minister, my copy, the copy that I had I think is down in my office, but I'll have it here in a very few minutes.

Mr. Minister, what you said, and you may laugh . . . Mr. Minister, he who laughs last laughs best. Mr. Minister, what you said was, I expect that a likely time for the issuance is late September or early October. That's a scant six weeks away. If you're going to proceed in six weeks, you must have the preliminary prospectus ready.

Mr. Minister, I just don't believe you have it ready. What I believe, Mr. Minister, is that there's information in there which you don't want to release to us.

Mr. Minister, I ask you, if you're not going to give us the amount you're going to spend on advertising, if that is too embarrassing for you to release you won't give us the amount you're going to spend on legal fees if that's too embarrassing for you, Mr. Minister, will you at least give us the prospectus which I say must be ready, Mr. Speaker.

Hon. Mr. Lane: — I've already answered the question and I've assured the hon. member that when the prospectus is done . . . Certainly a lot of work is being done, but it's not prepared. And a lot of final decisions will have to be made once the legislation is passed.

Mr. Shillington: — Mr. Minister, it's just not credible that you don't have it ready. Mr. Minister, I would remind you that these preliminary prospectuses are usually ready well in advance of the issuance. I'd remind you, Mr. Minister, that with respect to Saskoil, you brought the legislation forward in December; the prospectus was dated October 15 of that year. It was available a full two months before the legislation came forward, as is the custom.

I remind you, Mr. Minister, that preliminary prospectuses do not have any of the figures with respect to the share, the cost of the shares, etc. They do have the other information which is available, which allows potential investors and their advisers to inform themselves. It's information which the people of Saskatchewan are entitled to and which they should have.

And I say, Mr. Minister, this stonewalling simply must come to an end. You must start to give us some information. You are dealing with an asset which is very, very valuable. Mr. Minister, if you sold it for its fair market value, it would go some distance towards reducing the debt in this province.

And one of the things, of course, which the prospectus would do, is enable us to arrive at some kind of an estimate of what the fair market might be. And of course, I suspect, Mr. Minister, you don't just want to give us anything which would assist us in arriving at the fair value because I suspect that's going to be a multiple of what it's

actually sold for.

Mr. Minister, I remind you that the prospectus for Saskoil was available two months before the legislation was introduced in this House. I have with me the prospectus for SaskEnergy. It's dated July 17 and that legislation hasn't even been introduced in the House. Of course you have the prospectus ready and you just won't give it to us. Now will you start to deal with this with at least a modicum of integrity and give us some of these facts?

Hon. Mr. Lane: — I've already given the hon. member the facts.

Mr. Shillington: — Mr. Minister, you have not. Mr. Minister, you certainly have not. Parliamentary traditions prevent me from describing with any precision what you gave me, but it certainly wasn't very factual. Mr. Minister, you must have this ready. You couldn't possibly be proceeding with a share issuance in six weeks if you didn't have the preliminary prospectus ready. That is not how these things work, and I know that as well as you do. You're not dealing with a group of children.

Mr. Minister, this document is ready, the information has been compiled, and you ought to give it to us. It is bad enough, Mr. Minister, that you stand here and you won't give us the amount you're going to spend on advertising, because I suspect you're ashamed of the figure you're going to spend on advertising.

Mr. Minister, well the member from Lloydminster . . . (inaudible interjection) . . . at least the member from Lloydminster is asking a sensible question. He asks, what value do I put on the company, I'd put a minimum of a couple of billion dollars value on this company. But, Mr. Minister, that isn't, strictly speaking, relevant, if the question is very relevant. The problem is that the member from Lloydminster has asked it to the wrong person. The member from Lloydminster ought to ask that question of the minister because his . . .

An Hon. Member: — I'd accept his answer.

Mr. Shillington: — Well the minister from Lloydminster says he would accept the answer. I just wish we could get an answer . . .

Mr. Chairman: — Order, order. I'd ask the member from Lloydminster to allow the debate to continue without interrupting, and certainly it doesn't do anything for the debate to answer the members from their seat. But I'd ask that the member for Regina Centre be allowed to ask his question.

(1345)

Mr. Shillington: — Mr. Minister, you must have this document ready. I am confident it's ready. I'm equally confident that for some reason or other you don't want to give it to us, Mr. Minister. And I'm wondering what it is in this document that is so embarrassing.

Mr. Minister, what is it that . . . the contents of a prospectus happily are not in the discretion of the government. By and large, the information which is in a

prospectus is prescribed by the regulations of the Toronto Stock Exchange, where I presume the issue's going to be floated — through which I presume the issue's going to be floated.

Mr. Minister, if this government had any control over what was in it, then of course you'd give it to me now because it wouldn't contain very much useful information. Mr. Minister, I'm wondering what it is in the prospectus that means that you won't give it to me. Mr. Minister, I simply can't believe that we don't have the prospectus ready.

I may say, Mr. Minister, I suspect that your officials have copies of it with them. I really believe that. I believe that your officials have copies of this document with them, that it is readily available if you care to give it to me. What is it, Mr. Minister, in the prospectus that you don't want to tell us? Is it per chance, Mr. Minister, that you don't want to give us the remuneration which will be paid to the officers of the company? That's usually in a prospectus.

And the minister has some . . . Well the member from Swift Current shakes her head. I say to you, the regulations . . .

An Hon. Member: — It was a spasm.

Mr. Shillington: — I see, I see. I say to the member from Swift current and others, that it is one of the regulations of the stock exchange that that information be in here. The Minister of Finance knows that by reason of bitter experience, because when you gave us the prospectus on Saskoil, that fact apparently escaped you, and in fact you had given share options to the officers of the company, an embarrassing revelation which eventually had to be rescinded.

So I ask you, Mr. Minister, is it the remuneration which is going to the officers of the company, is that what's embarrassing? Is that why you won't give me the documents which you know and I know are in printed form ready to be handed out?

Hon. Mr. Lane: — What you say is simply not true. And as I've indicated to the hon. member, certainly a prospectus will be a public document. It will be available for all in the province to see. There will be an effort made, once the prospectus is ready, to make sure that it's well communicated to the people of this province. The prospectus will be, I assume, in the usual form. Remember that there are other markets being considered as opposed to just Toronto.

But having said all of that, there will be for public record, for all of the people of the province of Saskatchewan, the opportunity to review the prospectus. And I suggest to the hon. member that when the public sees the prospectus, the circumstances will be not change. People will continue to decide whether they are for or against the government initiative to privatize the potash corporation.

Those that understand prospectuses will know what it means; those who do not understand prospectuses will put their interpretation upon it, whatever that may be.

You say that the company is worth \$2 billion. I saw that article, a rather strange one, but we should keep in mind that a company is worth what people will pay for it. And if you want to sit down in Saskatoon and build a \$5 million house, for example, beside a packing plant, maybe someone will only pay you 100,000 for it. If you want to sit down and build a \$5 million house in Regina beside railway tracks or the switching station or whatever, or a sewage lagoon, somebody or some other institution . . . people may turn around and say, all right, well you built a \$5 million house but that's only worth 50,000 to me.

So you can put whatever values . . . And we recognize that that debate, no matter what value, not matter what value is put out, the people of this province know that the New Democratic Party will say it's being sold too cheap, or it's being given away. That debate will be there. So your argument changes nothing in terms of the public's awareness, it changes nothing in terms of the information that will go to the public, it changes nothing with regard to the political debate.

Mr. Shillington: — Let me render some assistance to the minister of truth over there. Mr. Minister, you denied that the commissions were 5 per cent. The page has now brought for me the *Hansard* of this morning, and let me read for you the information which you gave us this morning.

Hon. Mr. Lane: — The standard fee overall, and this is for all the syndicates and the participants in the syndicates, is 5 per cent.

Now what is that if that's not 5 per cent for commissions?

So I ask you, Mr. Minister, I am going to continue to get copies of *Hansard* when I'm dealing with this minister. I very much regret having to deal with anybody on this basis, but, Mr. Minister, I can't believe a thing you say. I cannot believe a thing you say.

So I say, Mr. Minister, when you're dealing with issues that you have dealt with this morning, be on your guard that I'm going to have copies of *Hansard* here as a check.

Mr. Minister, I want to ask you whether or not there are any shares being issued to officers, or any options being issued to officers of the company. Will there be any shares issued to officers, or any options issued to officers in the company?

Hon. Mr. Lane: — Well certainly we will be making offers to all of the employees. That will include the officers, and I will assume that there will be options to be able to be earned by management. That is a standard practice in corporations as an incentive to management, I don't know why the potash corporation should be or would be treated any differently.

Options, of course, have to be earned. They are an executive bonus, but I have said, and I have repeatedly said, that we will be encouraging as many employees in the potash corporation to own shares, and we will try and make it as attractive as possible for the employees to buy and as easy as possible to buy the shares.

And I want the hon. member to go further on *Hansard* when we talk about the commission. What I said was that for an issue like that, is that it could be less, but I said, for the purposes of discussion today, I'm prepared to accept the debate on the 5 per cent, but I said it could be less.

So I put out the figure, and I was quite, I believe, fair in that figure. You say it's too high. I've indicated to you my understanding is that often the commissions on an initial public offering are in the range of 7 per cent. So it's not that. So we can debate that, but I think in fairness that what I said this morning was completely accurate.

Mr. Shillington: — Mr. Minister, I want to know how many options you're issuing the officers? What you are giving them is a gratuitous gift when you give them options. Is it true that sometimes options are issued to officers of a company, but that's when the officers have also promoted and developed the company, and it is a reward to them for their efforts in promoting it and developing it?

There's no excuse in this case for giving options to officers. What you're giving them is a gift. If the options are worth a dollar a piece, and that's probably a fairly modest guess, you'll give them a thousand options. You've given them a thousand dollars, and they realize it tomorrow by selling the options. I want to know, Mr. Minister, what the deal is for the officers. How many options are they getting?

Hon. Mr. Lane: — Well I think that the hon. member, with respect, perhaps doesn't understand usually how the options work. Options tend to come out at the . . . are worth the value of the share, and at the time of issue, you don't get them for a dollar unless the initial share is a dollar. Say it's \$15, that's normally where they option, and they don't have any benefit until the share price increases.

So . . . (inaudible interjection) . . . No, no, but understand what I'm saying, understand what I'm saying, that if the shares are \$15, the option would be able to buy them at 15 and the advantage doesn't come until the share value goes up, which is precisely what you want the incentive for the executive to do.

Mr. Shillington: — Mr. Minister, that's absolute nonsense. The warrants have a value whether or not the shares have risen to the price at which the warrant can be exercised because they have a time value. Let me, Mr. Minister, give you an example. I just happened to pick this, just at random. Cheni Gold is selling for \$3.05, the warrants are exercisable at \$10, they're 40 cents a piece.

An Hon. Member: — What's the option?

Mr. Shillington: — The warrant . . . You are giving them options . . . Now just a minute, you are giving them options to buy warrants, you're not giving them options — you're not giving them options. If you suggest you're going to give them options, that's nuts. What you're giving them is an option to purchase shares at a certain price, and that in effect is a warrant. And when you do that, that has a value.

Let me read what you did to Saskoil. At the time of Saskoil you said:

Saskoil intends to grant options to its five senior officers to purchase common shares at a price of \$9 per share, being the issue price of the common shares. The options will be granted following the continuance of the corporation under The Business Corporations Act, but prior to the amalgamation with a wholly owned subsidiary as described under the history of Saskoil. The options will be exercised during the period up to February 28, '86.

They thereupon have a value because it's a right to buy a share at a given time in the future at a given price.

So when you give them an option to purchase shares, you're giving them something of real value, Mr. Minister.

And I ask you, Mr. Minister, how you justify granting officers of this corporation, how you justify giving them this gratuitous gift? And it is just that, it is a gratuitous gift. This is not . . . They did not develop this company; they did not establish it. They have been very, very well paid for managing it. And I for one don't see why options on shares should be granted to the officers of this company. What you're doing is giving away public property to some of your friends.

Mr. Minister, I ask you how on earth you justify giving options on shares to officers of the company? How on earth do you justify doing that? I think, Mr. Minister, that's an absolute outrage that that should happen.

Hon. Mr. Lane: — With the greatest of respect to the hon. member, there is a big difference between options and publicly traded warrants. There is a big difference. Warrants are publicly traded rights and they can be on any number of shares, the right to buy shares at a fixed price, and you pay for those warrants — those warrants are publicly traded.

That is a totally different instrument than the options that you give to management. Options are not transferable. They're not traded. They are a part of the incentive package that one gives to management. If management doesn't exercise the option, the option will die.

So to relate the two to publicly traded warrants . . . I'm going to have a great deal of difficulty here because the hon. member, frankly, doesn't know of what he speaks. And publicly traded warrants . . . and I assume the hon. members opposite can sense my frustration because they are totally unrelated, totally unrelated.

Mr. Shillington: — Well, Mr. Minister, perhaps you'd give us the facts and let us and the public make our own conclusion about whether or not these people are being given a gratuitous benefit. What option to purchase shares are the officers going to be given? What is the deal?

Hon. Mr. Lane: — The new board of directors of the new company will set the compensation-remuneration packages for the executive — not surprising.

Mr. Shillington: — Mr. Minister, you're not dealing with a group of children. Try to observe some minimum level of integrity with us. If you're going to grant the existing officers of the company the option to purchase shares, then that must be in the prospectus, which as I say, I'm quite confident you have in this House with you. What rights are being given to officers of the company, Mr. Minister, to purchase shares?

(1400)

Hon. Mr. Lane: — Right now, in spite of this debate, I'm going to have to explain to the hon. member, we now have a Crown corporation. We do not have shares. There is no agreement; there's nothing in remuneration packages that the employees of the Crown corporation have options to buy shares. There are no shares in the Crown corporation. The legislation provides for the purchasing company to be a company that will do a public issue.

The new board of directors, now that this new company, this new company will have shares, the new board of directors, to manage that, will have to enter into new contracts, remuneration — it's a new company. Now that it has shares — yes, and the new board of directors will approve the prospectus and do whatever is necessary to get the public issue done. So there are no shares now. The new board will make that decision as to the remuneration packages, including options, for the new corporation.

Mr. Shillington: — Once again you may well be saved by closure I say again, Mr. Minister, the effect of closure and your stonewalling means we're going to get, I can see, very little information, very little information. Mr. Minister, at least I will say for Mr. Paul Schoenhals, at least he had some integrity when he dealt with us. When we brought this to his attention, he admitted, with far more candour than I think you're capable of, that in fact there was a benefit going to the officers, that since this was the conversion for a public enterprise to a private enterprise, that was irrational and inappropriate. And he said publicly in this Assembly that those share options would not be granted.

Mr. Minister, I think I understand a good deal better than you the difference between a warrant and these options, I read that out because I was trying to prove to the minister that a right buy something at a given price in the future is a valuable right and has a value. And thus an option to buy shares at a given price, at a given time in the future, has a definite value. And when you give that to the senior officers, Mr. Minister, you're giving them value, and we have a right to know what it is.

An Hon. Member: — It's in the prospectus too.

Mr. Shillington: — Well it's in the prospectus; he just won't give us the prospectus, and we're apparently not going to get it. My colleague says it should be in the prospectus; I have every confidence it is. The problem is, Mr. Minister, you're not going to give us a prospectus until this House adjourns.

You said earlier, Mr. Minister, that once the prospectus is

out, the public will have a change to examine it. The tragedy is, Mr. Minister, that this Assembly will not have an opportunity to examine that prospectus. And the public don't pretend and have not since the days of ancient Greece, do not pretend to be able to conduct their business in a direct sense. They elect us to guard their interest. And when you refuse to give us the information we need, you're not giving us the information we need to protect the public interest, Mr. Minister, and that's a shame.

Some Hon. Members: Hear, hear!

Mr. Shillington: — I know full well when the prospectus is going to come out; it's going to come out a few days after this Assembly adjourns. I know full well when it's coming out.

I ask you again, Mr. Minister, to stop playing games with us and tell us, as Paul Schoenhals did four years earlier, tell us what options are being granted to the senior officers. You must know that, and you're a prevaricator of the highest order if you won't tell us that.

Hon. Mr. Lane: — You want the answer? Existing corporation, new corporation not formed. The answer is none. Understand the difference between the PCS and the Saskoil. Saskoil was a continuance; this is not a continuance.

Mr. Shillington: — Mr. Minister, I suspect that doesn't fool anyone.

An Hon. Member: — Sounds pretty good to me.

Mr. Shillington: — Well there are some exceptions, there are some exceptions. The member from Lloydminster and the member from Kindersley may be fooled by it, but they will be rare exceptions.

Mr. Minister, of course you're going to incorporate a new company, and of course the question is, what options are to be granted to the senior officers?

Mr. Minister, those senior officers have been subject . . . in a fashion which is not common in this House, the senior officers who are with you have been subject to some criticism. But I say, Mr. Minister, if they're getting a benefit at the public's expense and if we aren't going to be told about it, then any sympathy which I ever had for them has evaporated very, very rapidly. There's no basis for giving senior officers these sorts of benefits when you're dealing with public property.

This is not a mining company which a few people have promoted and put together. It's not an oil company which a few people have promoted and put together. It's an enormous public enterprise which you're transferring to the private sector, and in doing so, there is no room whatsoever for any sticky fingers getting into the pot and getting money out; and if the senior officers are getting share options, then that's what's happening. They're getting public property; public funds at the taxpayer's expense, and the taxpayers have every right to be enraged.

I say to you, Mr. Minister, stop playing games, stop telling us there's two different companies. Of course there are. What options are they being granted with respect to the company that's being incorporated? You understand that's my question as well as I do.

Hon. Mr. Lane: — I will go through this again and I will do it slowly. The present potash corporation does not have shares. There are no options given to the executive and the employees of the potash corporation.

There will be a new corporation established by the virtue of this Act. The new board of directors will decide on the remuneration for the executive management. And I will assume that the new board and the new company will have an incentive plan, options for management. That will be up to the new board. I'm not denying that it's unlikely. I'm not saying that. I say it is very likely. That is what is usually done in most of the corporations. They want incentives of different types to encourage management, to make it worthwhile, and to encourage management to continue to improve their performance of the company.

So you don't like the incentives and you don't like the options. I can accept that you're opposed to them. I do suggest to the hon. member that I doubt that there's anywhere a large corporation that doesn't have some type of incentive package for its senior management. To say that it's an exception, I suggest will be wrong. But we can, in fairness agree to disagree whether there should be that type of an incentive package including options. I happen to believe that that is sound, generally accepted commercial practice.

And as I've said, I believe the new board will have . . . negotiate its remuneration packages with the management when the new company is established. And you are right, that then has to go in the prospectus. I have said that. But right now it's not the equivalent or the same as Saskoil.

Mr. Shillington: — Well of course it's the same as Saskoil. Saskoil was a Crown corporation which had no shares, which was owned by the Crown, which was transferred to the private sector, and Saskoil itself was not changed. It was in fact transferred to a new entity which became a publicly traded entity.

Mr. Minister, let's just refresh our memories with respect to what actually might have happened with Saskoil had we not had the prospectus. The five senior officers were to be given share options to purchase 50,000 shares at \$9 apiece on February 28, 1986. Well before the expiry of that date, those shares were trading for over \$10. That meant those share options were worth \$50,000. That meant those senior officers had each been given a gratuitous benefit at public expense of over \$10,000.

There's no conceivable basis for senior officers helping themselves to public funds. It is very, very different with a private corporation. It is very different. But you are dealing with a public asset, and there's no conceivable basis for senior officers helping themselves to some of the money as it goes by, which is what's happening.

Now, Mr. Minister, I want you to tell us . . . Mr. Minister, don't give us the malarkey that the board of directors will make the decision. They won't make the decision, because if there are options to be given to the senior officers, or any officer of the company, that must appear in the prospectus.

It's regrettable, Mr. Minister, but the rules of the stock exchange are a great deal more candid than you are. It is recognized that that is information which ought to be available. You don't seem to recognize that because you continue to stand here and stonewall us. That's just all it is, is a stonewall, a crude attempt at stonewalling.

I've made it crystal clear, Mr. Minister, to a person of any intelligence that if . . . that before the board of directors is formed, there must be a company. Before the company is formed, there must be a prospectus issued. If there are options to be granted to the senior officers, that must appear in the prospectus. So don't tell me the board of directors are going to make the decision because they're not. That decision is one of those decisions that has to be made in advance.

I know that prospectus is available now. I know you won't give it to us, but will you at least tell us whether or not there is any deal for the senior officers. Are they to be given any option to purchase shares in the company at any particular price, in the fashion in which was done by Saskoil?

Hon. Mr. Lane: — Again, let me explain. Saskoil was a continuance; this is not. A new company is being established by virtue of the legislation. Prior to — and that company will be a publicly traded company — prior to a prospectus being done, the government will have to establish the board of directors. It is the board of directors of a company at securities law that must approve the prospectus. These are the steps that we have to go through.

So until such time as the new board is established and appointed, they can't approve a prospectus. They can't negotiate remuneration package. So after the legislation is passed — we discussed this yesterday — we will then establish and set up a new board. The new board will then go through the steps, prospectus, negotiate with senior executive as to remuneration packages, and proceed, and at this point, I agree with you, that is then put in the prospectus that will be filed.

I have said, and you asked me precisely whether there are any option packages now, and I have said no. I have said no. But when you understand the process, you will see why I can say that.

Now I have also said that I expect the new board, as general accepted commercial practice would have an incentive package for management. So I expect there to be options and incentives. It's what large corporations do; I think they do it for a good reason. It's fair for you to say you do not like or believe in the incentive packages, that's a difference of opinion that we have. But I do say such practices and packages are accepted as good commercial practice.

Mr. Shillington: — I take it that to be a tortured admission in the fact that there are going to be share options granted to the senior officers. Mr. Minister, don't attempt to suggest that you have played no part in this matter; it'll all be decided by the board of directors. No one believes that, Mr. Minister. No one in front of you and no one behind you believes that. That is unmitigated nonsense.

Mr. Minister, I take that to be a tortured admission there are going to be options granted to the senior officers. We have a right to know what they are. We stand here representing the current shareholder, if you like, the taxpayer of Saskatchewan, and we have a right to know what they are. And you have no right to stand and stonewall and refuse to give us this information.

As I say, in Saskoil it would have been a benefit valued at about \$50,000, completely unjustified. There's no conceivable relation between this corporation and a mining company, which three or four people get the mining property, they promote it, they put it together. As one of the ways they pay themselves for all the risk connected they put into it, they take some options; that's not unknown. But that's different.

None of the senior officers here have risked anything in this. They have been very well paid during this entire period, and they have no right to be helping themselves to what is really public property. And I don't believe for one minute they're going to do it without your consent. I believe that they are going to get an option. Mr. Minister, it's patently obvious you know what it is, and I think, Mr. Minister, you have a responsibility to tell us.

Now come clean and tell us what options are going to be granted to the senior officers. Will it be \$50,000, as was to be the case in Saskoil, or is it to be an even more obscene sum? Is it to be an even more obscene sum, Mr. Minister? I say, Mr. Minister, pull that prospectus that you've got out of your brief-case and give it to us and let us see for ourselves.

(1415)

Hon. Mr. Lane: — I have now repeated four times that there are no stock options with the present potash corporation; there are no shares.

There will be a new company established by virtue of the legislation, and a new board of directors. And the new board of directors must approve and file a prospectus. They will negotiate their contracts with management. But I have said to you on numerous occasions that I would fully expect that new board of directors to have an incentive package for management. That is generally accepted commercial practice.

I cannot tell you, as I have said, what those will be, if in fact there will be, but I expect them to. But that will be up to the new board, and I have tried to repeat that now four times. There are none now because there are no shares. I have also told the hon. member there's no agreements to give options on the establishment of the new company. There's no promises, commitments, or anything else to give such options. I've said that earlier.

So you have made the point that, in your view, mining companies should not have the incentive plan. I think we differ . . . (inaudible interjection) . . . Well if that's the case, I apologize for misinterpreting your remarks, but I thought you were saying that it's a well-established company that's already got the assets and you should give the incentive package.

The incentive packages are designed, as commercial practice, is to improve the value of the company, improve the performance for shareholders, enhance the value of the company for the shareholders, for the benefit of the shareholders, for the benefit of the investor. So that's their objective.

Again, you don't like them. I think that they're sound commercial practice.

Mr. Mitchell: — Thank you, Mr. Chairman. Mr. Minister, I'm a bit puzzled by your reference to the notion that the purchaser corporation, which is the term used in Bill 20, is being incorporated by this Act. I think that not to be correct.

Hon. Mr. Lane: — I agree. I agree.

Mr. Mitchell: — It seems to me on reading the Act that it contemplates that a new corporation, which you call the purchaser corporation in the Act, will be, or indeed I think has been incorporated, which will bear the name Potash Corporation of Saskatchewan Inc. which is the name set out in the definition section, section 2, under the heading "purchaser corporation." Can you confirm that, Mr. Minister?

Hon. Mr. Lane: — Yes, the hon. member is quite correct, and I apologize for the use of the phrase, to be incorporated by this Act. The hon. member is quite correct. Let me just check whether there's a shelf corporation or another corporation, or one being incorporated to meet the point that you raise.

Mr. Mitchell: — Now, Minister, has it been incorporated; and if so, under what name and on what date was it incorporated?

Hon. Mr. Lane: — The company called Achen Construction . . .

An Hon. Member: — A-i-k-e-n?

Hon. Mr. Lane: — A-c-h-e-n Construction. As the hon. member knows, for the purposes of some investors, i.e., pension funds generally, it must be a company that has paid dividends for four out of five years. And so that company was acquired, Saskatchewan company, on March 31. I'm sorry, was there another . . .

An Hon. Member: — March 31, this year?

Hon. Mr. Lane: — This year, yes.

Mr. Mitchell: — And then, Minister, that company having been acquired, I take it that the Government of Saskatchewan owns all of the shares of it, or is it the potash corporation that owns all of the shares?

Hon. Mr. Lane: — The potash corporation owns the shares.

Mr. Mitchell: — Now can you table a copy of the corporate documents, particularly the articles of association of this company?

And while they're looking for that, Minister, can you . . . do I take it then that what you intend to do is to change the name of this company from Achen Construction to the Potash Corporation of Saskatchewan Inc., and that that will then be the purchaser corporation in respect of which shares are going to be sold?

Hon. Mr. Lane: — The name was changed to PCS Inc. on April 6. And these are public documents that you're asking for. We're trying to see if we've got copies. I'm prepared to give them to you. I don't know whether we can do them right now or not. I don't know what your wish is on this, but we're happy to supply them to you.

Mr. Mitchell: — Well I'd like them just as soon as I could get them, in the next few minutes if I could. The problem is that we're going to be finished this aspect of the debate today. A photocopy would be fine, so that I could look at the corporate documents, and including particularly the articles.

I take it then that when I look at section 8 and subsection (1) where it says:

. . . the provisions of . . . The Business Corporations Act shall continue to apply to the purchaser corporation.

This is the corporation that we're talking about, the one that used to be called Achen Construction and is now called the Potash Corporation of Saskatchewan Inc., and it is The Business Corporations Act of Saskatchewan that will continue to apply to that corporation.

Hon. Mr. Lane: — Yes, The (Saskatchewan) Business Corporations Act.

Mr. Mitchell: — Now who constitutes the board of directors of that corporation as we sit here today, Minister?

Hon. Mr. Lane: — Messrs Childers, Humphreys, and Hampton of the potash executive.

Mr. Mitchell: — Now, Minister, you have to now tell me what's going to happen in the future because if you're to meet your objective of selling shares by the end of the September or early October, then this board of directors has got a lot of work to do, including approving the prospectus, including deciding the kinds of questions that you and my colleague from Regina Centre have been talking about, about special kinds of stock options and a number of other decisions. And I take it that when you talked about the board of directors or the new board of directors, you meant the present board of directors, the one that's now in place as we speak.

Hon. Mr. Lane: — I'm sorry, I meant the new one that will be set up and appointed to basically be responsible for the

operation of the company to the shareholders.

Mr. Mitchell: — Right. But I think it correct to say, Minister, that we're not going to know who that new board of directors is until there has been shares issued and shares sold and shares purchased, and the new shareholders meet to constitute a board of directors. And if that's not correct, if that's not how it's going to work, will you tell us how it's going to work?

(1430)

Hon. Mr. Lane: — Just to clarify, the articles that you will get today are the articles from this company, Achen. They will be changed, and I know the hon. member knows that. The new board . . . the difficulty we had, and we have certainly considered rather actively a number of names. But we thought given the environment and the debate with the potash corporation, we were unable to approach the type of people that we would ask to serve on the board until such time as it had finally been determined. I don't think many at the level we're looking at would agree to it without some definitive statement on the corporation. Again, once we have the commitment of these people, I'm prepared to communicate that to the hon. member because . . . it's not because, but it will be public as soon as we can put that together.

PCS Inc., which is the incorporated Inc., which is the company we are referring to, will eventually issue the shares. It will give shares to PCS and PCS Mining, who will transfer the assets for those shares back to PCS Inc. Understand what I'm . . . how the process will work through that.

Mr. Mitchell: — Minister, with respect to this new board, as I understood your answer, we could refer to that as an interim board — interim between now and when a permanent board of directors is put in place by the shareholders.

Hon. Mr. Lane: — Why not for our discussion purposes, the board of PC Inc. now, we'd call an interim board — is that unfair, or is that . . . until the permanent board is set up?

Mr. Mitchell: — Right. But when you talk about a new board that would be the board that succeeds the present board of Mr. Childers, Mr. Humphreys and Mr. Hampton, and that new board would then continue in office until when? I mean just until the next annual meeting of the Potash Corporation of Saskatchewan Inc.?

Hon. Mr. Lane: — Yes.

Mr. Mitchell: — Now there won't be any shareholders of this new PCS when this new board is appointed, so I take it that the appointments are going to be made by the government.

Hon. Mr. Lane: — That's right.

Mr. Mitchell: — How large will the new board be? Are you in a position to tell me that?

Hon. Mr. Lane: — No. I have indicated to you what . . . I

expect it to be in the range of 12 to 15. I believe the present board is 13 — subject to correction — but I think it's 13. It will be in the range of 12 to 15.

Mr. Mitchell: — And then at the annual meeting or the first meeting of the shareholders of the new . . . when there are shareholders of this new PCS then I take it they will be able to re-elect a board of directors in accordance with the articles of PCS at that time. I take it there's no question about that then.

Hon. Mr. Lane: — At the first general meeting the board of directors will be elected along with the provisions of the new article. I'm advised that the recommendation will be coming on the board that it be staggered in terms of some for one, some for two, and some for three. And I gather that is accepted commercial practice.

Mr. Mitchell: — Now, Minister, will you tell us how this new board will be constituted? Are these going to be all Saskatchewan people, or what is your plan with respect to the appointment of these 12 to 15 new board members?

Hon. Mr. Lane: — Well we haven't finalized, but I'll tell you what I'm looking for generally. Either Saskatchewan people . . . and we've got the minimum requirements and I'll give you the advice I've received over the noon hour with regard to that.

I am of the view, and what I will try and present to my cabinet colleagues, are board appointees that as much as possible have some direct tie to the province — either former Saskatchewanians or whatever.

Now there will be a need as it applies with the American market that certainly we should have a board member. And the advice there is, perhaps someone from the agricultural industry, which is a major end user of the product. And that is a consideration that we're looking at — whether we could find someone — and we're trying to look at perhaps some . . . again some ex-Saskatchewanians that would fit the bill. We have not yet determined that. If the hon. member had a suggestion to meet that specific need, then I would certainly be prepared to consider it. But I think that we can try and get as many on the board, if not all on the board, of Saskatchewan or ex-Saskatchewanians.

Mr. Romanow: — Thank you very much, Mr. Chairman. I've been listening to as much of the debate as I can or could this morning and this afternoon. Time is rapidly running out for the consideration of the clause by clause of this bill because of the closure, the unprecedented act of closure by the government opposite.

And a couple of major themes are coming through to me, in any event, Mr. Chairman, and I'm sure that the minister will have to acknowledge these to be the case. He will of course have an answer for this, the answer which he has been given repeatedly since the clause by clause began.

But the themes which are coming through, the one central theme that's coming through, is that the legislature, and therefore the people of the province of Saskatchewan, are unable to get any information either in

writing or in verbal response by the minister on the three or four key issues which relate to any privatization and especially this privatization.

First of all, we have to know what the value is of what we're selling. I want to explore that with the minister, some questions in that regard. But we have to know, what is the value of the Potash Corporation of Saskatchewan? We have to know what the seller believes the value is.

Again, Mr. Chairman, if I may just start, we have to understand what the value of the corporation is. We must also determine who did the valuation, how it was done, when it was done, in order to determine what kind of share offering, or resale value, if I may put it that way, or sale value that we attach to the corporation.

Now I want to ask some specific questions of the minister in this regard, and I at the outset will apologize if the questions repeat again the one or two that my colleagues may have asked in this area because I had on occasion the necessity to step out of the legislature. And I wonder if the minister could tell the legislature, or the people of the province of Saskatchewan whether there is an evaluation being carried out, or has there been an evaluation carried out of the Potash Corporation of Saskatchewan; by whom; when did it start? And I'll stop there for the moment before I have some additional questions.

Hon. Mr. Lane: — What we did late one early spring with the investment advisers, we have asked them to give us what they think the corporation could be . . . what a public issue could be done for an incorporation. And they would take into account things like cash flow, replacement, historic sales techniques, book value, price of the commodities, exchange rates, etc. And the range we get is 8 to \$900 million.

Again, I want the hon. member to understand that we're talking for a public share issue, and that is the valuations that we have from the investment advisers.

(1445)

Mr. Romanow: — Well, Mr. Chairman, I'm going to ask the minister whether — not whether, I'm going to ask and request him to table the documentation that he has in this regard which obviously goes into the rationale, in the valuation of the Potash Corporation of Saskatchewan at 800 to \$900 million, as I understood his figures. Because as the minister I'm sure will agree, the book value of the Potash Corporation of Saskatchewan, by its own admissions, is at least \$1.2 billion. And here on the verbal statements made by the minister opposite, we're looking at a Potash Corporation of Saskatchewan which is valued at 800 to \$900 million, 3 to \$400 million less than the book value, not even discussing for the moment such matters as replacement value, which of course is another methodology, or any of the other aspects with respect to the evaluation.

So will the minister . . . the question, I have specifically of him is — not undertake — I would like him in the remaining hours to table the documentation so that we can, over the supper hour, take a look at it and take a look at this rather amazing and startling undervaluation of the

Potash Corporation of Saskatchewan. Will the minister do that please?

Hon. Mr. Lane: — Well, again, I want the Hon. Leader of the Opposition to understand that that valuation, as you approach market, could be changed further — okay? — because we're dealing from the prospectus of a public share issue. This is not a valuation for the purposes of sale of the asset, okay? So there is the difference. I say unfortunately I don't believe that that information, because of its commercial value to the competitors, should be tabled, but whether it can be at some time in the future after an issue, we'll have to consider it then. But I think the normal commercial concerns and information would not be matters for public review by the competitors of the potash corporation.

Mr. Romanow: — Well, Mr. Chairman, I'm going to ask the minister to reconsider his comments with respect to the tabling of a document or documents. I assume that this value that you're placing of approximately \$800 million on the entire Potash Corporation of Saskatchewan for which the people paid only 412 million back in 1975-76 approximately, that this \$800 million valuation is explained to us by some yardsticks, economic yardsticks, market yardsticks or other factors which enter into its actual worth.

And in asking the minister to so reconsider my request, for my own clarification, is it correct that this valuation is, the valuation which has been prepared by the two or three corporations, lending institutions that you have referred to earlier this morning, namely Credit Suisse, First Boston, Merrill Lynch of Canada, and Wood Gundy of Toronto — there may be also some Saskatchewan people involved in this operation — are these the people who prepared this valuation, and will the minister reconsider my request?

Hon. Mr. Lane: — Well I would like to reconsider but I think the hon. member understands the commercial concerns of the potash corporation. There was another company involved as well called Gordon Capital Corporation. So we did use four. And we should also keep in mind when we are doing a public issue, the public issue valuations is what people will pay for it. Okay? So the investor managers or the advisers take a look at it from the point of view of what they think the market will pay. That is a different one than the sale of a specific asset, or a mine, or things that perhaps are a little more quantifiable. I will send over . . . there are no pages. If I could . . .

An Hon. Member: — In due course then. What is it?

Hon. Mr. Lane: — This is just for Mr. Mitchell, the copy of the articles.

Mr. Romanow: — Well, Mr. Chairman, I . . .

An Hon. Member: — Sorry to make your heart pound there for a minute.

Mr. Romanow: — Oh no, I didn't expect that . . . unfortunately, knowing the pattern of what's taking place here, my heart is not pounding for any information that you're going to table because I've come to the conclusion that the major information you simply will not table.

Again, coupling the frustration of the people of the province of Saskatchewan on this, but let's leave that aside for the moment, as important as it is.

I want to pursue the valuation and I want to pursue the minister's discussions in this regard. Will the minister tell us how it is that they came to this conclusion, the advisers, that the sale-off value, if I may put it that way, of the Potash Corporation of Saskatchewan is only \$800 million, which I find, I repeat again, just absolutely shocking — shocking. There's no other way to describe it but shocking because . . . Do you have a copy of the annual report?

In the annual report of the Potash Corporation of Saskatchewan — this is 1988 annual report; the minister will admit this, so I think I'm reading this figure correctly — you're looking at something in the neighbourhood of 1.2 billion book value. And here we are being told today, shockingly, Mr. Chairman, that we're \$400 million short of the book value.

An Hon. Member: — Which is always less than the market value.

Mr. Romanow: — And as my colleague says, from Regina Elphinstone, almost invariably is less, the book value is less at 1.2 billion, than the market value — not always, but almost always.

What in the world is it, Mr. Chairman, I ask the minister, which has resulted in such a dramatically undervalued figure of \$800 million? Perhaps the minister could give me some rational arguments as to how they arrived at this relatively small sum.

Hon. Mr. Lane: — Well again, understand that with a public issue, the asset is worth what the market will pay for it. I don't why you would be surprised that it could be either below or above book value. I recall the document of the board of directors of the Crown investments corporation, of the 1982 . . . the minutes of the first meeting held January 14, 1982, and certainly at least one of your colleagues was in attendance at the meeting, whereby you talked about the SHAR project, Saskatchewan holdings reinvestment corporation. You talk about the latent demand for investment opportunities western provinces, and talked about the investment projects, and one of them was potash mine.

Then you talked about a company called Agra which was shares held by the New Democratic government. And in that, and I'm quoting:

Some potential investments that could be transferred for public participation, Agra, likely market value would only be about 50 per cent of CIC's book value.

So what I have indicated, I have indicated that when you do an issue, it is what the investment community and the investors think it is worth. And that is one of the subjective criterion that is used.

Now I have taken into account some of the things that they look at, and I've talked about cash flow, and

replacement, historic sales techniques, book value, prices, the exchange. I'm sure that there will be an adjustment on valuation with the increase in the Canadian dollar, for example. So all of those factors are taken into account. But the fundamental question is that the asset is worth what someone will pay for it.

Mr. Romanow: — Mr. Chairman, I repeat again, I don't think even in my wildest expectations I really expected this kind of a shocking result in terms of the valuation of the Potash Corporation of Saskatchewan. This is \$400 million, \$400 million less than what the Potash Corporation of Saskatchewan, the minister in charge who is piloting this Bill through, the president who is advising him on this piloting of the Bill through, says the corporation's value on the books are. Right there we're minus \$400 million. That, I think, is an absolutely . . . I'm trying to struggle with another word that conveys my profound shock at the loss to the people of the province of Saskatchewan of at least 400 million on book value.

I want to come back at this another way, from a different aspect, to try to get at the question of what this corporation which you are now sell, sell, sell, selling, what's its valuation might be.

I wonder if the minister would give me . . . well, I'll put a figure out to you and I'll ask you to take some advice, or perhaps you know this right off the bat, what it would be, roughly speaking, the cost to replace, capital costs say per tonne, with respect to the replacement value of a potash mine in the western Canadian, North American environment today?

Hon. Mr. Lane: — Well the estimate, and it is only that, understand, because there's been no effort by the corporation to consider replacement value, but the estimate at \$200 per tonne would be approximately 1.7 billion.

Mr. Romanow: — Again I don't want to — I guess I do want to get a little bit detailed in this. It may be somewhat boring to those who are watching, if anybody watches television proceedings, but this to me is a very, very critical point. You say 200 capital cost per tonne. What do you say it cost to expand Lanigan by about 2 million tonnes? That's one way that we could figure out more exactly what the capital cost per tonne is. What was the 2 million tonnes additional capacity at Lanigan costing, with escalation and interest?

Hon. Mr. Lane: — Understand, the hon. member, I'm giving you approximations of what I'm getting here, that Lanigan would be about 250 with the interest costs in as well, so be roughly 250.

(1500)

Mr. Romanow: — And I'm a little bit . . . I take your words for this because I don't have the . . .

An Hon. Member: — That's per tonne?

Mr. Romanow: — . . . per tonne; I'm talking on a per tonne basis. My research indicates that a fair figure would be slightly higher than 250 a tonne, based on such things

as the proposed Manitoba project, which I guess is going to be estimated to produce approximately 2 million tonnes. With escalation and interest, the cost is about a billion dollars, as I'm advised — I'm advised because I've got the Manitoba document which describes some of it, public document — or translated into about \$500 capital cost per tonne in Manitoba.

Now that might be because of the modern day interest rate situation which is taking place. But would the minister agree with me that with respect to the Manitoba project — Mr. Childers would know the details of it, I presume, and perhaps you do too — whether or not that is roughly the situation that Manitoba, the new mine which is going on stream, is looking at by way of a cost?

Hon. Mr. Lane: — I'm advised that our officials haven't seen those figures, but they do think they're way too high; that the top end would be 300, I'm advised, per tonne. So not having seen those figures, they're giving their best guess that that would be way too high.

Mr. Romanow: — All right, if that is an . . . and I don't know whether it's accurate. I don't have the documentation. I'm doing some reading from public documents and press reports to try to get an idea of what the current Manitoba situation looks like, so that's probably high.

I put it to you, Mr. Minister, that the . . . well I would ask whether or not you would agree with me that a fair figure would be \$300 capital cost per tonne, given all things considered and all the circumstances of which one might reasonably foresee, that we could say, that to replace a potash mine today you're looking at a cost of about \$300 capital cost per tonne. You said 250, based on the Saskatchewan experience. The Lanigan one, I think, is a little bit higher than 250. Manitoba is certainly much higher than 250, at least based on the figures that I have. I don't say they're accurate. Can we agree that they're between 250 to \$300 capital cost per tonne?

Hon. Mr. Lane: — Again, we're not able to debate the figures, and another question that may be raised, I wonder are they referring to KCl or are they referring to K₂O . . .

An Hon. Member: — KCl.

Hon. Mr. Lane: — KCl. All that I'm told that that is just way too high.

An Hon. Member: — So what figure are we looking at?

Hon. Mr. Lane: — Well again, 250, I think, from the advice I get, would not be an unfair figure in Saskatchewan.

Mr. Romanow: — So that assuming your figures, then, of 250 per tonne capital cost replacement today, we believe, and I stand to be corrected on these numbers by the experts, that the capacity of the Potash Corporation of Saskatchewan, soon to be privatized, Mr. Chairman, is about 8.6 million KCl at 250 capital cost per tonne. Doing some very simplistic and rough mathematics, multiplying the productive capacity, 8.6 million, times the per capital

cost per tonne cost of about 250, we're looking at about 2.15 billion — if my mathematics are correct — on a replacement cost.

Perhaps I could ask the minister, would he agree with me that that would be, on his own figures, a replacement valuation for the Potash Corporation of Saskatchewan, 2.15 billion?

Hon. Mr. Lane: — If you were to go in and replace it today and rebuild new mines today, that would not be an unfair figure.

Mr. Romanow: — So now we have . . . what I'm trying to do here is to get over my shock about the \$800 million and I'm trying to figure out the values here. The government's financial people say about \$800 million is the value of this company. The company itself says, on book value, 1.2 billion. Another method, replacement method valuation, it's 2.15 billion. So one can see the range of 800 million to 1.2 billion to \$2.15 billion.

I know now, Mr. Chairman, two things. I know that at the \$800 million valuation by the Potash Corporation of Saskatchewan currently, it is approximately \$400 million undervalued, less than the book value. And I know that it is about 1.2 to \$1.3 billion undervalued as to replacement value.

We have a complex there, we have a mine shaft, we've got the ore, we've got the rigs, we've got the machinery, we've got the Marietta miners, we've got the hopper cars, we've got the inland stations throughout North America where there is storage of the product; we have some office space which is tied into this operation — don't know if that's computed into the \$250 per tonne — but we have an asset.

We know that to buy that asset today, to build that asset today, I'm sorry, at \$250 capital cost per tonne would cost the people of the province of Saskatchewan \$2.15 billion. And I note to the members opposite that back in 1975-76 when the people of the province of Saskatchewan got into potash, it only cost about \$412 million for that asset today of 2.15 billion, actual building, buying and building.

So we know that the \$800 million valuation is significantly lower — not significantly, shockingly lower — than book value, and shockingly lower than replacement value as a mechanism of trying to figure out what this corporation is worth actually and truthfully and fairly in order to sell. And that, I think, Mr. Chairman, and I submit to the people of the province of Saskatchewan, is going to be shocking news.

I recall, these days we've been quoting editorialists, sometimes favourably and sometimes unfavourably, but the *Saskatoon Star-Phoenix* had an editorial about four months ago which warned of the political consequences that would fall on the heads of any government that privatizes the Potash Corporation of Saskatchewan at an unfair, below fair price valuation. That's one editorial with the *Star-Phoenix* with which I happen to agree. But let's come back to that later; we can talk about that in another context. I'm still trying to explore the valuations.

And what I want to ask the minister specifically . . . I'm dealing now with replacement; that's the direction of the questioning that I'm heading into. I take it that you do not consider replacement cost a valid valuation technique. I take it that's the case, but I'd like you to give me the answer. And if the answer is no, my question has got to be: why is it not a valid valuation technique?

Hon. Mr. Lane: — Well a couple of responses. If people could make money at the replacement value of the mines, they'd be building new mines all over the world. They can't do it. They can't do it. If they could make money at the replacement costs in Manitoba, they probably would have had a mine already. They can't make money at the replacement costs of a new mine.

It's like arguing, if you've got a car that's a year old, you're not going to get the replacement costs of a new car. I mean, the replacement value is not one that's accepted for the selling purposes in any commercial situation, so there are good reasons. Like I say, if they could make money at the replacement cost, there'd be mines all over the place. They simply can't do it.

I'm advised that we . . . or the officials feels that, without having the definite numbers, but that Kalium, for example, and Saskterra . . . at Kalium and Saskterra when they were sold, it was probably closer — but it's an estimate, because they are not public sales — would be closer to \$100 a tonne, which would be pretty close to the range that we're talking about for the potash corporation that I've given you of that 8 to 900, with 8.6 million tonnes. So the sales that have happened before, Kalium and Saskterra, we think are very much within the range of the valuations that we have.

Mr. Romanow: — Well, Mr. Chairman, the minister told me a few minutes ago that in the questions which I led up to this question of replacement valuation, the actual numbers — I didn't mean to the precise point — of the capital cost per tonne with respect to the Potash Corporation of Saskatchewan as it relates to Lanigan, for example, the most recent expansion that we have, I don't think the minister credibly can get up and say that the costs per tonne to replace or build has gone down any.

I don't think that's the case. I think it's obviously, if it hasn't increased, it's certainly maintained itself. So I think that on that basis, the \$250 per capital cost per tonne or, as I believe it to be, closer to \$300 capital cost per tonne, puts the replacement value of the Potash Corporation of Saskatchewan clearly in the \$2 billion category — clearly.

Whatever it is, it isn't at the \$800 million category. There is absolutely no doubt about that. The \$800 million category, you said, at the very outset of your answers, were based on what the underwriters or the financial people estimate the market will pay for it. Now those are two different dimensions. I want to come back to that in a moment.

What the market will pay will depend upon the circumstances of the market at any one given time. I dare say that you could buy Ipsco shares and value Ipsco when it went through a downturn in a cycle in a publicly

traded share at a whole heck of a lot less than you could when Ipsco's share went back up and the market for steel and the company was producing favourably.

And that's also the case with respect to the Potash Corporation of Saskatchewan. And that the minister must acknowledge because the minister has been saying repeatedly here that they may not even go to the public with respect to the share offering this fall because it may not be the right time to go for a whole number of reasons. He's trying to be cognizant of some of these factors.

So we're talking about two different kinds of valuations in a sense — they're not separate valuations; they're tied in — but two different separate kind of valuations. We are having the money people, the stockbrokers, the investment houses, the underwriters, providing some form of valuation on a rough-and-ready rule with respect to the valuation of a fertilizer company, a potash company in today's cycle, today's period. And then they come up with a figure. What's shocking about it is that figure is 400 million less than what PCS itself says is on the book value. And certainly if it's not 1.2 million, considerably less than what the replacement value is if it's not two point one point five billion.

Do you see, Mr. Chairman, how dramatic the numbers are about the true valuation of this corporation based on the initial figures that the minister has given us?

(1515)

I guess what I have to ask the minister again, because I think this is an important point from my point of view, and I think it is from his as well. He has a point to make, so I think he'll want to repeat his answer. I want to ask again why it is that you do not consider replacement costs as a valid valuation technique? I believe your answer to me was, is because people don't buy or replace because of the costs. There's no money to be made à la Manitoba. Did I understand that to be the essence of the argument as to why replacement costs is an invalid methodology to decide and to determine the valuation of the Potash Corporation of Saskatchewan, or is there more?

Hon. Mr. Lane: — Well I've already indicated to the hon. member that if they could make money at the replacement cost, today's replacement cost, there would be mines all over the place. They can't.

Let me give you an example because you may be able to get this information yourself. Based on the replacement-cost argument, and I freely acknowledge that the valuation that I've given you is considerably less than replacement cost. I mean, I'm not debating that. If you don't . . .

An Hon. Member: — You can't argue the figures.

Hon. Mr. Lane: — No. But let's take Saskterra. Saskterra is approximately 630,000 tonnes, and let's take your figure of \$300 a tonne. That would work out to approximately \$188.5 million. I think I'm fairly close on that number. But I'm sure the mathematical skills of your colleague there are adequate to get that.

Now that company, a couple of years back, its owners were trying to sell it for 35 million, and they didn't get a taker, including, I understand, some people you may know. So what I'm telling you, that the replacement value based on those calculations bear no relation to the market value.

Is it less? Yes, I freely acknowledge that. But as I say, quite simply, if they could make money at the replacement value today, they would go out.

I am told again, and I gather — well it is an estimate — that based on your figures at \$300 a tonne, the Kalium, for example, at 2.045 million tonnes approximately, replacement value would be in the range of 613, \$614 million. And we understand, or the industry understands, although it was a private deal, that that selling price would be in the range of \$100 million. Again, the selling price of those are very much in the range of the investment advisers' analysis.

Mr. Romanow: — But you see, Mr. Chairman, I understand what the minister is saying, but with the greatest of respect to the minister, I think it makes my point, or at least one of the points I'm making.

The first point I'm making is the shockingly undervalued value of the Potash Corporation of Saskatchewan. I think it is shocking but let's leave that for the moment.

I'm also trying to make the point that that figure of \$800 million the minister tries to justify on the basis, as you would describe it, of what the market is prepared to pay, I argue that that figure has been arrived at for him by the potash corporation . . . for the Potash Corporation of Saskatchewan by underwriters, by investment dealer people, essentially — and I don't say this in any way of imputation of motive; it's just the way of the world — who will do a valuation according to market, but who also want to make sure that in the evaluation of this, the evaluation is — how can I put it — on the lower side so that at least the share offering is successful. Their success depends to a large extent on that too. They're not going to have evaluation on a high side and then end up, with respect to the sales, not making anything for their efforts. But even apart from that observation which may be gratuitously not particularly relevant as far as the minister is concerned, I think that's a fact.

Leaving that even as an aside, the basic fundamental point still remains that even with the examples that you give, there may be times to sell and there may not be times to sell. And the question that I have for the minister is what in the world are we doing in the province of Saskatchewan? Have we taken total leave of our senses in the consideration of putting up the Potash Corporation of Saskatchewan for \$800 million in September, October of this year, which is what you have publicly stated is your objective, when we know the book value is 400 million more, and we know the replacement value is at least more than the book value of 1.2, probably as high as \$2 billion?

Now I would oppose the privatization for the reasons amongst others, I advanced yesterday, but if I were to agree with it, what I want to know is what in the world are

we doing getting ourselves into the snare of selling at a time when, judging by that number and the underwriter's valuations, we're not going to get what we ought to be getting for this basic birthright of the people of the province of Saskatchewan? What in the world are we doing in the market in this particular circumstance at this value and this price?

Hon. Mr. Lane: — It's only the hon. member that would argue that you could expect replacement value. I don't think that that would be expected by anyone. And we've had a discussion on the replacement value.

Second point you make about the investment advisers would want a lower price, I suppose we could debate that, but they try and get as high a price in the market, it improves their . . . they make more money if they do that. So there's not the incentive for them to do it at a lower price.

But understand again, and let's take Saskoil, that the government's share of Saskoil is roughly 25 per cent. At 25 per cent today is worth as much as the whole company was worth before it was privatized. So you can well make the argument that, as I would, that with the possibilities, we've discussed it before, for expansion and diversification of the potash corporation that the residual value held by the government will increase, and I would expect it to increase.

So in most commercial activities the replacement value — certainly in the fertilizer industry — is not something that would be looked at. They can't make money at replacement value, and I have, I believe, responded.

We can debate as to whether the investment houses would try and sell at the lowest price or the highest price. I think the system is they try and get the highest price they can in the market. And again, I have made the analogy with Saskoil so those are my responses to the hon. member.

Mr. Romanow: — Mr. Chairman, I want to again pursue for some time — I hope not needlessly or too repetitively — the issue of valuation which I think is one of the core issues of this debate. And I want to ask the minister a couple of questions further along these lines.

First of all, in response to his comment that replacement value, you can't make money at the replacement value, I can certainly understand and appreciate his argument although I'm not prepared to accept it.

But would the minister confirm that there are several, three or four mining projects, either on the drawing boards or on the go at prices and cost figures which are readily available to you and to your officials. I use the Manitoba cost figure specifically because unless I have misread it somewhere, I believe the figure which I gave to you which was \$467 million and \$85, now about a billion dollars with escalation and interest, that that's a figure put out by Kilborn engineering.

Does the minister agree that Kilborn engineering is a highly respected expert in this area, and I would ask — and I don't mean this is any partisan sense between the

minister and myself — whether he would check with Mr. Childers one more time carefully in this regard, because I believe the documentation is around in public on those figures, which would put the replacement in the Manitoba operation at approximately \$500 per capital cost. Let's say it's less; I'm not saying it's more than that. Would the minister check to see whether that's true.

And while he's at it, would the minister also confirm that Israel has intentions to proceed with a new project, in fact has announced it. We know of the serious consideration of a project in New Brunswick, that's in the public press as well. And there are, well I would say several others, but without getting into detail, other new, at the very high replacement cost figures, if I may put it that way, potash and fertilizer companies which are contemplating entering into the field and who are prepared to pay the replacement cost figures which I articulate to you. Is that so? And if that is so, doesn't that at least partially, if not totally, rebut your argument about the question about replacement costs and making money?

Hon. Mr. Lane: — Understand with regard to Israel, we do have some countries that will build mines for other reasons, not economic. Some countries sell potash for currency exchange, not as a profitable enterprise . . . (inaudible interjection) . . . Well the hon. member is not accurate. We're not aware of any plans at New Brunswick. There has been the talk by British Petroleum, for many, many years they've had some leases. But we're not aware of any plans.

And we talked about Manitoba. Manitoba's been making noise, or at least some people have been making noise in Manitoba for some time. I'm advised that some of those making noise in Manitoba considered the Saskterra at \$35 million at a replacement value at \$100, and rejected that.

So we're not aware of any plans to build mines other than, as I say, we've got the Dead Sea producers that will use it for currency. I would suspect the same thing in Russia, but as a commercial enterprise. I suppose I could make the other argument that if there are a whole bunch of mines coming on at these values, then it may be a good time to sell, and sell as quickly as possible because the value of the corporation would drop dramatically with the excess capacity that's in the world already.

So again I indicate to the hon. member, we're not aware of the plans, New Brunswick and Manitoba — well that talk has been going on for some years.

(1530)

Mr. Romanow: — Well, Mr. Chairman, I want to pursue one example which I want to draw to the minister's attention to make my point, and ask the minister to again carefully consider what he says. I ask his officials to consider carefully what he says.

He says there's a possibility of new mines being built presumably because those new builders think there is a profit to be turned in the mining of potash, and that's a good reason for us to get out. We don't see the advantages of building or keeping; we're getting out. We're getting

out so Israel can get in; we're getting out so that Manitoba can get in; we're getting out so that perhaps New Brunswick or Thailand or other parts of the world can get in.

Now that's the economic position that the government has just advocated. Now this is a fundamental . . . (inaudible interjection) . . . Well you did say that. All right you can correct . . . all right, I'm trying to keep my tone down to a civilized discussion. You can correct me if I'm wrong. That's what you said, as I understood you.

But I want to leave that aside for the moment and I'm trying to get some hard facts from you to justify what you're doing, if you can. This should help you both politically and economically. And if you can't, it should help me politically, and unfortunately it won't help any of us economically if you can't. So this is an important debate and discussion to which I would suggest your officials can and should provide you some detailed information.

Now I have here in front of me, Minister, a photocopy of a document, which is called the *Manitoba Potash Project*. It's a document which says — to set up my case I will make the point here, Mr. Chairman — the following in part:

A new mine in Manitoba, time to accommodate potash demand during the 1990s . . .

Note those words:

A new mine in Manitoba, timed to accommodate potash demand during the 1990s, will enable Manitoba potash to help maintain Canada's role as the world's leading potash exporter.

Well I'll continue to quote:

Although world demand for potash and its price in world markets go up and down in cycles, as they do for agricultural products, the long-term outlook for demand is up.

Now this document, Mr. Minister, is put out by a person who signs it, Jerry Storie, Minister, Manitoba Energy Mines. He's in the Premier Filmon PC government. And it's signed by Dr. John Hansuld, president and chief executive officer of Canamax Resources Inc. I'm assuming that this is a relatively reputable operation.

And the document talks about feeding a growing world — maybe a growing hungry world at that — talks about where the ore bed lies in Manitoba; talks about all of the processing and surface facilities; describes the techniques of flotation and so forth. And then has on the documentation — it's a public document — the *Manitoba Potash Project* summary data. And what it says is, amongst others, it gives you the ore estimates and the like. What it says, amongst others is: "The mill production is 2 million tonnes KCl per year."

This is going to be a 2 million tonne plant. That's a fair

size. Do you know how many 2 million . . . I guess Lanigan. What else is 2 million in Saskatchewan? Doesn't matter; it's a big plant, 2 million tonnes.

And then in this document it says, "Costs in economics." And I read again from the document:

Kilborn Engineering estimates that the Manitoba potash project will incur a total fixed capital cost in first quarter, 1987 Canadian dollars, of \$530 million.

Which translated into the current costs, with respect to escalation and interest, comes out roughly, I cited by my mathematics, at about \$500 per tonne replacement cost. Let's say it's not 500; let's say it's 400; let's say it's 350 — here is an actual valuation of a mine, Mr. Chairman, because these people say they're going to build one.

And they have figured out roughly what they've got by way of productive capacity, what they want, what their ore is, and they say here's what their cost is. And we can simply by mathematics translate that into some sort of a figure as to what this mine is worth by way of replacement value.

So lest I cite this, lest the minister think that somehow I pulled this figure out of the air or got these figures out some newspaper reports, this is an official Manitoba government publication. Thereby leading me to conclude — because they have tabled documents and you haven't yet, sir, to rebut or to show — leading me to conclude that there is a valuation of which you can follow based on that figure. I'll even reduce it to \$300 costs per tonne KCl and when I apply that configuration to 8.6 million tonnes production in Saskatchewan, I'm looking at 2.5 billion. And these people are saying that it's only worth 800 million.

When the money for actual construction of a potash mine seems to be in this range according to the people of the Manitoba government — PC government, not NDP, not anybody else's operation — it says that's the valuation.

Now the minister also says, well you know, people don't count replacement value because they just don't make any money on it. Well I put the Manitoba figure out there as a rebuttal to that. But the minister full well knows, I'm sure he does, that there will be replacements — Manitoba thinks by the mid-1990s; Israel thinks by the mid-1990s. By the way, not only Israel, I have other documentation to indicate that there's going to be an increase in the mid-1990s.

The world is now beginning to think and gear up of getting into this area. We of course are thinking of getting out of this area. This is apparently the direction of this government with respect to the privatization of this Bill. We know that to be the situation.

So here we have — they're gearing up for what they project will be by 1990, mid-1990s, perhaps a little bit later — something which they're planning in order to get on side. The minister knows that there will be new tonnage and there may be new tonnage required to be replaced right here in the province of Saskatchewan.

For example, the minister I think full well knows, and Mr. Childers can confirm this coming from his background at . . . well not because of his background of IMC (International Mineral and Chemicals Corporation (Canada) Ltd.), but I'm sure he confirms this in his capacity as a potash expert. IMC has got serious flooding problems. They may or may not cure those problems, and they may have to "replace."

We know that the potash corporation of America has got serious flooding problems — not flooding; it is flooded. I hope that they can solve that and they may not have to replace, but they may have to replace. And they're going to be replacing, if not on this \$300 per capital cost per tonne figure that I give you, it will be something akin to that — the Manitoba figure I use as a yardstick — which says that we have a physical plant by these figures, the Government of Manitoba's figures, in Saskatchewan called the Potash Corporation of Saskatchewan which is worth \$2.5 billion, well at least 2.1 billion to 2.5 billion replacement cost.

We know the way of the world is that there will be replacements, and we, sir, Mr. Chairman, are offering our Potash Corporation of Saskatchewan for \$800 million — \$400 million less than the book value.

Now that is shocking, that is shocking. Now I will temper my word of shocking if I may put it this way, Mr. Chair, and Mr. Minister, being the reasonable man that I am. If you will table for me in this legislature, documentation from your financial and/or mining advisers which can indicate to me what factors, and how they valued those factors in 1989, went into the valuation that PCS is only worth \$800 million; if I could get that documentation, people who are far more expert than myself could get it and look at it. Perhaps that's the easy answer.

Now you have it because you've cited the figure. Your people have been working on it since at least mid-February, mid-March of this year, if not earlier. There's no doubt about that. You say it isn't replacement value. You acknowledge it's less than book value. You say it's \$800 million. I'm asking you, sir, in the face of all of what I've said, show me and the people of the province of Saskatchewan that that \$800 million can be justified, in writing.

Some Hon. Members: Hear, hear!

Hon. Mr. Lane: — Well I had indicated some of the criteria used in my other remarks, but let's go through the figures that the Leader of the Opposition has just given because they are very interesting. And let's talk about Manitoba, and I, subject to correction . . . but my understanding is you put out the figure of \$500 a tonne.

An Hon. Member: — Well you know how I computed that.

Hon. Mr. Lane: — Well that included, I'm assuming, that included the interest to the construction, right? That's your capitalized interest?

An Hon. Member: — That's right.

Hon. Mr. Lane: — Okay. Take a look at what you've just said — \$500 okay? At \$500 a tonne, you see, to get the mine up, your depreciation after that is going to be \$25 a tonne. Just take a look. If you were to build a mine at \$500 a tonne, your figures, your depreciation over 20 years would be \$25 a tonne; you're going to have to pay the interest on your \$500 million, and assume 10 per cent — and I don't think I'm unfair — your interest would be \$50 a tonne.

So understand if you were to build a mine at those figures that you sell potash at 80 to \$85 a tonne, you've paid \$75 a tonne up front, in effect, before you start including into your employee costs, your operating costs, your selling costs, all of those things, you just cannot make money. You just cannot make money on the figures that you've given, with the greatest respect. If I didn't hear your figures correctly — but I thought when I restated them that they were correct.

Now then, we had the figure given by the Leader of the Opposition at Manitoba says that they could build a 2 million tonne mine for \$540 million in '87. Well think about that because that's getting close to \$270 a tonne, which is the figure that we had indicated earlier.

So when one is talking about these figures, there are some very, very serious commercial difficulties in dealing with the replacement cost argument. They simply cannot make money at replacement cost; and secondly, and from the figures you've given.

And I've also indicated earlier that when we look at the selling price of both Kalium and Saskterra, they're very much within the range of the estimates given by the financial advisers. I have acknowledged that the market value will be less than the replacement value. But just from a quick look at the figures that you've given, it is simply impossible to do it on an economic basis on those numbers.

(1545)

Mr. Romanow: — Well, Mr. Chairman, my objective here this afternoon, my objective here this afternoon, Mr. Chairman, is not to sell the economics of the potash corporation in Manitoba or whatever they call that. I'm not here trying to be an advocate as to whether Manitoba should or shouldn't go ahead, or whether it can or cannot make money. What I'm trying to do here on what I think is one of the most crucial other issues of this debate — foreign ownership and philosophy; we talked about that. We now have what it is that we are selling, what it's worth. What I'm endeavouring to do is to find out from you and from your advisers the value of this entity which we are breaking up, or at least we're selling away to foreign interest, 45 per cent foreign interest.

Now I don't know whether Manitoba needs to be repeated, but what is happening in the case of Manitoba is this. In 1985 dollars, the cost was \$467 million. Translated to 1989, today, approximately, as I could figure it out, we're looking at about a billion dollars for a 2 million tonne plant which translated — I gave you the figure of \$500.

When I read the Manitoba document it was 500-and-some in 1987 dollars; again, escalated, it would be higher. It may not amount to \$500 per tonne, I acknowledge that. My point is that it is higher than \$200 a tonne. It's higher than \$250 a tonne. Even by your own latest admissions, it's \$270 a tonne. I argue it's probably in excess of \$300 per capital cost per tonne, which is a replacement value for a plant today.

Now we have that plant today, Madam Minister. We have those potash mines which you call just used old holes in the ground. To get them back it would cost \$300 capital cost per tonne roughly speaking in today's dollars, which means that the plant that we have, that your colleague is trying to sell off on that method of calculation . . . now he says it's an invalid method. I want to come back to that in a moment. I think that's a legitimate argument point that I don't accept. But on that basis you're looking at an asset of \$2 billion plus, Madam Minister, which the minister has announced here is \$800 million.

Now the Minister of Education says Saskoil. Well Saskoil also was undervalued, undervalued both on book value and undervalued generally. And of course when you sell a valuable commodity cheaply and when the new commodity finds its true value and worth and perhaps even grows, it shouldn't even surprise the Minister of Education that the "privatization" is successful. I mean if you wanted to sell me the Potash Corporation of Saskatchewan for \$100, I think that we could make a success out of it. So that's not much of an argument that the Minister of Education should be propagating.

But at the replacement value, the \$800 million figure is absolutely a shocking one — I repeat again — and at book value, it is absolutely shocking as well.

So I'm not hanging my hat on Manitoba. Whether they make a buck or not, that is their problem. All that I know is that they and others in the world are now beginning to gear up, building mines, building and expanding, providing opportunities elsewhere. And were not doing that. We're shutting down. We shut down Cory and we're shutting down generally.

Now I wonder, just as a matter of interest on this point of whether or not there are expansions, I wonder if the minister can advise if it's true that IMC is planning a major expansion of its operations in Canada.

Hon. Mr. Lane: — Not that we're aware of. IMC does have the flooding of the shaft. There has to be some consideration whether they're going to replace, but no expansion. That, I understand, is being considered, but at what stage that's at, we don't know.

But let me . . . and I agree with the hon. member — we're not sitting here debating the question of replacement value. But let me say again, if we are to take the replacement value as said at \$500 a tonne — and that's not my figure; that's the one that you were referring to — if you are to pay \$500 a tonne, with the interest at 10 per cent and the standard industry depreciation, it will cost \$75 a tonne, cost. You're selling potash in the 80 to \$85 a tonne, and you still have not begun to pay employees or

sales costs or operating costs. It is just simply impossible economically, from a sound economic position, to proceed. So that's not taken in to account.

They look at the value of the asset, of what will be paid for that asset. And when you look at the information that I have given the hon. member, that the valuations of what they think the market will pay will be in line with what limited information we have on Saskterra or Kalium.

So the hon. member says government's getting out. Yes, the government's getting out, at least to some extent, of its interest. But is the potash corporation getting out of potash? No, of course it isn't. And the potash corporation has excess capacity. It has an ability to expand should those markets change, which will ensure the long-term profitability, should ensure a good return on investment for the investors, for the Saskatchewan people that choose to buy shares.

So I suppose I do caution the Leader of the Opposition that from time to time we get some very, very optimistic scenarios presented as to the future of the industry. And not only by those that wish to see an expansion of the industry, but there is in many cases a political hope that the industry will expand dramatically. And we've got strong evidence of that right here in the province on some of the information that's been tabled in the past. But is it always accurate? I don't think so. And I'm not debating this in a partisan way.

You had hopes that the industry would expand. You had projections of fairly strong growth and continuing growth. The world potash demand did not work out that way. It is a very risky investment. It's a cyclical investment. Should the taxpayers take that risk? You say yes; we say no. Should the taxpayers continue to keep their money into the investment? We don't think so; you say yes; we say no.

But the valuation on the market is as I have, I think, quite carefully said at the beginning, it is what the market will pay.

As I said this morning by analogy, if you want to go out and build a house, a \$5 million house next door to a sewage lagoon, and then you want to sell it, and someone comes along and says, I wouldn't pay you \$50,000 for that because it's sitting by a lagoon, and you can only sell it for 50,000. That's what the market would decide.

Now you're saying you still got to sell it at \$5 million. That's not what the market says. It's not what the market says. Market doesn't look at the replacement value of that; it looks at what people will pay for it.

If you've got a year-old automobile that you paid \$20,000 for; a year later you want to sell it and somebody says I'll pay you 15. Oh no, replacement for me is \$20,000. That's not what the market will pay. So the replacement value argument when you are selling is not, with the greatest respect to the Leader of the Opposition, is not a valid one.

I have shown you that if you did try and replace that, you cannot, in today's circumstances and today's prices, you cannot make money. You would pay at \$85 a tonne for

potash, you would pay . . . if you were to replace it now, and start a new mine at 10 per cent interest rate, you would pay about \$25 per tonne for depreciation, \$50 per tonne on interest rates — \$75 a tonne is right off the top and you're selling at 85. You haven't begun to pay your employees, you haven't begun to pay your sales staff, you have begun to pay your sales costs. So it just doesn't work at those numbers.

I have acknowledged at the outset that the valuation for market is less than replacement value, considerably less, but I don't believe replacement value is a fair criteria. And secondly, I have suggested to the hon. member that the valuations are very much in line with the sale of what we're guessing, and I understand it's a private sale. It's an estimate of what Kalium and what Saskterra was being sold for. So not out of line from that point of view.

Mr. Romanow: — Well, Mr. Chairman, again I'm going to move on because I think I've made my point. I don't know whether the minister feels he's made his. My point is, to recapture the argument that I make is in my judgement, to me, crystal clear. This minister, I don't mean this minister. But this government, the minister piloting the Bill says that the Potash Corporation of Saskatchewan is worth \$800 million but he will not table the independent evidence to show that to be the case.

We know the book value is 1.2 billion. We're minus 400 million starting there. If we use replacement value, we're probably at \$2 billion. The minister says you shouldn't. So we're now, by that yardstick, \$1.2 billion. We're either between 400 million to \$1.2 billion, by the two alternative methods of valuation, off the mark, meaning a dead loss for the people of the province of Saskatchewan.

I want to come at this another way if I can. The minister says and this is his argument, his big argument, that it's what the market says the potash corporation is worth is what it's worth. And I wonder whether or not the minister will agree with me, based on the documentation and his knowledge and his advisers, that on average the stocks and the stock market with respect to almost any share offering, but certainly in the case of potash, are certainly well above book value. I'll ask that question first. As a general rule, you know whether that's the case or not. I contend it is, but I'll hear your arguments.

And secondly, whether or not it's correct on any kind of stock market valuation of price to earnings, the norm has been over the last while approximately a rule of 12 times earnings. Does the minister agree or disagree with those?

An Hon. Member: — Are you talking fertilizer?

Mr. Romanow: — Yes. Mining, mining and fertilizer.

Hon. Mr. Lane: — No, because there is a difference. Are you saying mining or fertilizer?

An Hon. Member: — I am saying fertilizer, but I want both. If you say there's a difference, I want both, because I don't believe there is a difference. But it doesn't matter.

(1600)

Hon. Mr. Lane: — We have difficulty with your statement about the fertilizer companies being higher than book. Perhaps you can re-explain it because we don't see that that one is the case, or what it means in that book value is what you have it on at your books. And that could depend on the age of your asset, the depreciation. There are all sorts of things. It's what they carry on for their internal operations. So perhaps you can refer.

But now if you want to talk about the price/earnings ratio, or the numbers that we have in the fertilizer . . . the numbers we have with IMC which would tend to be the only pure fertilizer comparison, would be in six to seven times earnings as opposite to the number that you've given. And I'm advised . . . but one of my officials is going to see if we can phone one of the investment houses as to what mining companies . . . The reaction was that they thought that on general it would be lower than that, probably in the range of five to six times earnings.

So I mean that's the information I have for the hon. member.

Mr. Romanow: — Let me just come back at this from another point of view. We're talking about the valuation of the Potash Corporation of Saskatchewan, and there are essentially three methods, I would argue, by which to value — maybe four methods. You've discounted all of them but one.

One method is the replacement method, which I argue says that the Potash Corporation of Saskatchewan is worth 2 billion-plus. You say nobody is going to do that because you can't make money on it.

Another method of valuation is the book value. That's 1.2 billion. You discount that too, for the arguments that you advance.

You then hang your hat on what the market's going to bear, the market in this case being the stock market and those who buy and sell shares and deal and trade in that kind of a business.

And there has got to be a general standard or rule which follows — and presumably that's what your financial advisers have based their valuation on — rules that follow in the valuation of the corporation we're selling, the potash corporation, which will give you a figure. You say the figure is \$800 million.

I'm asking you, in this third category, market valuations, whether or not you agree with me that price/earnings ratio is probably the most important factor in the calculation of what the company is worth. That's how the market judges whether it's productive and it's making money, and how old it's assets are, how good it's ore body is, and the like' whether the price/earning ratios is essentially the key factor upon which you're basing the \$800 million.

And my next question is, if that is so, is it not also correct that on average we're looking at about a price/earnings ratio of somewhere in the neighbourhood of 12 per cent — let's say even 10 per cent — but 12 per cent as a ratio to

determine the valuation of a corporation according to market tests, the tests that supposedly you're seeking to attach? Do you agree or disagree with that statement?

Hon. Mr. Lane: — Certainly the price/earning ratio is a key consideration, and I believe I talked about that earlier. I talked about some other factors as they are determining, and it is an important factor. It's not the absolute one because remember that you're dealing with the people who make a judgement as to what they think the market would pay. And there are other factors that they would take into account, and I think the hon. member would recognize that.

But we do have a difference. The advice that I have on the price/earning ratio for the fertilizer company, the range we get is in the six to seven times; you've talked 10 to 12. So we're . . . again that's the advice. Well I'm told IMC was that at issue, so again I'm giving the hon. member the advice that I have, which would certainly put it within the range that we're talking about. But other factors are taken into account.

The investment advisers, as I say, what they believe that the market will pay, they take into account the price/earning ratio; they take into account the cash flow; they take into account historical valuations, other sales; they, in the case of an industry like this, would take into account exchange rate fluctuations, discounted present value; they'll take into account sales; they take into account market position. All of those factors are taken into account in the valuation.

Mr. Romanow: — Mr. Chairman, I understand that there are a number of values and factors which enter into the situation. The minister gives the example of IMC having gone to the market on a price/earnings ratio which is not 12 per cent, 10 to 12 per cent, but in the category of 6 point something, 6.7, 6.8, or 6.9 per cent, whatever it is — slightly over 6 per cent.

But again I come back to the proposition which I made some time ago. Is this an argument for saying that the true valuation of the potash corporation for Saskatchewan is \$800 million; or is it no more, no less than an argument that says that at 6.7 price/earnings ratio that's what the value is today, given what the situation is today?

I just have to pick up the exchange information, *The Financial Post* exchange information of August 7, a few days ago. I know your answer to this will be that this is a diversified company with all kinds of other holdings. I take a look at IMC and I see according here, at the top of the framework of the schedule, IMC's price/earning ratio, 14.1 per cent. I didn't adopt it at 14.1 per cent because I realize that it's a diversified holding and that might inflate some of its value. I chopped some of that off and I came to the 10 to 12 points to say under normal circumstances on a pure fertilizer operation, that would be a fair valuation.

But even assuming that 6.7 is the accurate and fair one now, the question which the people of Saskatchewan I think would be very much asking is: why in the world are we going to the market at this particular time? Why under that circumstance, given what has taken place with respect to the IMC share offering, are we selling off a

corporation whose book value is 1.2 billion for 800 million, or maybe less? Whose replacement value is \$2 billion for 800 million or less? Why are we doing that? What is the public . . . Well forget about the public policy, what's the economic reasoning for going to the market at this particular time?

Hon. Mr. Lane: — With respect, if you would check the information you have, that . . . I won't talk about a conflict here, but I will indicate to the hon. member that IMC had sold its fertilizer division some time back, and that IMC is a much more diversified company.

Tell me is the price of that around \$4, somewhere in there?

An Hon. Member: — Issued at 22, went to 49, drops to 37.

Hon. Mr. Lane: — So the advice that I have is that the price/earning for the fertilizer is in the six to seven at the issue, at the issue. Now understand that. It will change. It will change as the . . . (inaudible interjection) . . . Sure, if the market believes that the price is worth more, obviously that will change from time to time. We're talking about the time of issue. We're talking about the time of issue. That will change over time.

I would say, as well, that if we looked at going to market two years ago with the potash corporation, the market analysis would be considerably less than the amount that we're talking about today.

I also indicated to the hon. members, both last night and this morning, I said what I would expect to go to market. I never said that we would and always threw that caution out; that that final decision will depend on the advice we get from the investment advisers. I said that this morning and I said it again last night. So having said that, I've given various factors that are taken in to account and . . . I just got a report on the IMC fertilizer group that the 1989 estimated price/earning ratio is 7.8; 1990 estimate is 6.4.

Mr. Romanow: — Well, 7.8 price/earnings ratio and 6.4 with respect to IMC — I don't know where you get that information from, of course, which is where precisely the problem that we have, Mr. Minister, is this whole Committee of the Whole. This is where now, if you'll forgive me, my sense of frustration and exasperation rises.

I ask the minister and the chairman to consider, and anybody else who's watching this debate, what it is that we're talking about here. We're talking about selling off an asset which is owned by all of us right now, the government says at a figure of \$800 million. We say at a figure of \$2 billion or plus is the asset value. It's selling it off, and this government refuses and/or does not have — I don't believe it doesn't have — refuses to table to the Legislative Assembly the documentation which will tell us and the public and the journalists exactly what it is this corporation is worth.

(1615)

I ask you, Mr. Chairman, why are they doing that? Why are they refusing or failing to give us the documentation. I

say, Mr. Chairman, that replacement value is in fact an important or appropriate method for evaluation, or discounted cash flow is an appropriate method. Book value is another appropriate method; it's a lower method. I say replacement value is relevant if the situation in the potash industry is such that in fact the industry is expanding or planning expansions.

I say that's what's happening. I say that Manitoba and others are moving now, in the next four- to five-year basis, of expanding. And under those circumstances that kind of an evaluation mechanism is indeed very relevant.

But the government chooses to not accept that valuation method. I say it chooses not to make that valuation method known because, if I may say so, they want to make this corporation as attractive as possible to everybody possible, but especially the 45 per cent foreign owners in order to declare somewhere down the line that they've had a success.

And the result will be, if they follow that approach — at this valuation, not replacement and not book value — a major loss of funds for the people of the province of Saskatchewan from this asset.

Some Hon. Members: Hear, hear!

Mr. Romanow: — And I think the evidence of replacement value and the activity that's going around is everywhere. I think IMC is planning expansion. I've mentioned Israel. I've talked about Manitoba. I've talked about the possibility of New Brunswick.

If you take a look here . . . I won't bore the members of the committee, in the interests of time; we have so much to cover and so little time in which to do it, because of the closure of this government. I have here a *1988 Canadian Minerals Yearbook: Review and Outlook*, prepared by the federal Department of Energy, Mines and Resources.

And there they will tell you not only about the expansions of existing mines and the opening up of old mines — mines which have been shut down for five years in New Mexico, opening up — opening up and producing product, and doing it, presumably, at a profit. These people seem to be able to indicate that there is some development and some hope in the potash area. They're moving and getting ready to take advantage; we're getting out.

Now the minister says no, that's not true. He says that I'm misrepresenting things when I say that we're getting out. He says the Potash Corporation of Saskatchewan, under his scheme, would not be getting out; it's still in.

Yes, he's right. I concede him that. But it's a Potash Corporation of Saskatchewan that is not getting in and still in which will be owned essentially — lock, stock, and barrel — by the foreign corporations and the foreign people and the rich corporations of this country and individuals who can afford the shares. No longer the million people of the province of Saskatchewan.

Out of that, somehow, we're going to get a benefit. Out of that expected projection and expansion which the others,

many of whom are in state-owned enterprises and operations for precisely the same reasons we have, and many that do not have state ownership — they're getting ready. We know where the beneficiaries are going to be there. But in our case, we're getting ready, and we also know who the beneficiaries are going to be there. But in our case we're getting ready and we also know who the beneficiaries are — not us.

So we have a second loss, a second potential loss. One potential loss is in the price that this corporation is being sold for. The second loss is if there is an expansion and somebody is to benefit from it and PCS benefits from it, the benefit of that will be going to the owners of PCS. And that, sir, will not be the one million people in total as is the case, but to the foreign multinationals and the foreign companies of this country, and that's a shame. That's a shame.

Some Hon. Members: -- Hear, hear!

Mr. Romanow: — So we do not have replacement value at \$2 billion. We don't have book value at \$1.2 billion. We have an \$800 million figure but with no substantiation in writing by the minister, a refusal and a failure by the minister to table the documentations based on a price/earnings ratio of the market at this time, which the minister, in his candour — and I acknowledge him for this and credit — says that this is a reflection of the current market situation.

Why then in the world are we going to the market in this situation? Why are we going when the price/earnings ratio or the market interests and the stocks at this time are as low as potentially the minister seems to indicate?

There is another dimension to this which my colleagues have canvassed. Why in the world with all of the potential share offerings that this government alone has generated in Canada, like Cameco (Canadian Mining Energy Corp.) and the Potash Corporation of Saskatchewan, and they've got SaskEnergy on the back burner, and they've got SGI (Saskatchewan Government Insurance), why in the world we're going to the market in this province with a limited pool of investment capital on top of all of that, I don't know.

If the price/earnings ratio dictates \$800 million, and the price/earnings ratio is a reflection of the economic circumstances of the day, which it is, why in the world do we hold off and not go to the market until the day is such that we could get the true value of this corporation for the people of the province of Saskatchewan right here?

Some Hon. Members: Hear, hear!

Mr. Romanow: — The minister says, aha, but I tell you, Mr. leader of the Opposition, again you're not being fair, he says to me. He says we may not go to the market until we're satisfied that the market is going to give us the top dollar return. That's what he says in the legislature. In the newspapers, he says September or October.

But I draw this to the attention of the journalists and to the members of this Legislative Assembly, which is it? I mean we are selling off anywhere from between 800 million to

\$2 billion and we don't know when we're going to do it. We have an estimate as to the price/earnings ratio, but certainly one which is considerably lower than any other valuation method that is around — not considerably lower, shockingly lower.

We don't know what we're going to do with the money once we have it. We canvassed that aspect of it yesterday with the minister and the examinations and the questions and answers here. None of these plans are tabled and there is no documentation whatsoever tabled before us on this issue.

And I want to make this point, Mr. Chairman. This is not a question of revealing a tactical position for negotiations in the revelation of the documents of which I speak and of which I request. This is a revelation of documents which we all understand will be subject to market change.

I know that if you're anticipating 800 million and the market really turns sour and it drops to 600 million, no one is going to be after you for that uncontrollable. But at least we would know precisely, and others to whom we could go would know precisely what the factors were in the valuation. And this government resolutely and steadfastly and obstinately and determinately refused to give us this information; says that it's not going to go necessarily to the market in the fall, although the newspapers report that it is in September or October.

What in the world are we to make of this? What in the world are the people of the province of Saskatchewan to make of this, except that this government either has a game plan and isn't telling us, or it has no game plan, and either way it's worthy of condemnation because of the way they've handled this.

Some Hon. Members: Hear, hear!

Mr. Romanow: — Look, we have a major political and economic argument about privatization. I've tried to cast myself in the position of the members opposite and if I had the kind of opposition which we're mounting, I would ask myself what best ways can I employ to rebut the opposition's arguments. Now you would think that what the government would do in this circumstance is to say now look, here are the arguments. I'm tabling this report from Credit Suisse et al. I am tabling this report from David S. Robertson or Kilborn Engineering et al as to what the valuations are. Here's what they project in terms of the number of Saskatchewan people who will buy the shares and the number of foreigners. Here's the methodology by which we proceed to do this. Here generally is what we think we're going to be doing, but we're not going to be bound by it.

I know the dangers in a political world of doing that. I fully understand and appreciate the minister's concern because there are always those uncertainties where politicians will seize on the speculations and try to use it to the disadvantage of the government of the day.

But notwithstanding those liabilities, and notwithstanding those problems, that would be the easiest way to make out the case to the public and to the press that what was being done was: (a) in the best

interests of the province of Saskatchewan; and (b) although I don't agree it's in the best interests of the province of Saskatchewan, (b) was at least being done right, was being done properly, was being done competently.

I mean, if you're going to be selling off and destroying the Potash Corporation of Saskatchewan — God forbid — at least do it in the best and most competent fashion and show the documentation to justify your case to the people of Saskatchewan, and don't stonewall us, as what you've been doing.

Some Hon. Members: Hear, hear!

Mr. Romanow: — And as I say, I told the minister, and I apologize to the House and to you, sir, for allowing my voice and my temper to rise, but I've been asking the member opposite and the members opposite to give us these reports, or to give us a synopsis of the report or an executive summary of the report. Give us any kind of a documentation which will justify where we're at. Of course we'll criticize you on it, but if the numbers are there, then we have an answer which the government will have rebutted and provided for us.

Now let me just give you another example of what I mean by way of valuation. Here's a situation which is recorded and reported in the Regina *Leader-Post* in the Market Place section, which is the economic section of the *Leader-Post*. It's an editorial . . . not an editorial, I'm sorry, a newspaper report written by a reporter that all of the members of this House know, called Mr. Murray Mandryk of the *Leader-Post*. The headline says, "Expert says PCS worth twice gov't figure." I summons that in support of my argument that it's a give-away at \$800 million.

Here is what this story says, Mr. Chairman. And may I say, before I read the relevant portions of the story, that I'm shocked at the figure of \$800 million, I'm shocked at the lack of documentation, I'm shocked at the 800 million.

But I'm shocked also because even the Premier, just a few weeks before this story by Mr. Mandryk, while he was in the Far East discussing this situation with respect to the prospective buyers, kept on referring to the value of the company being a billion dollars. That was the Premier's estimates. He says so in his telephone press conference of February 8, 1989. I've got copies of it if the members want to see it; it's transcribed right here. And it's laced with, we have a corporation more or less a billion dollars.

That's what prompted the Murray Mandryk story. That's what prompted all of the questioning about the effectiveness of the Premier's trip. That's what prompted the questions about whether or not the Premier knew what he was talking about because we felt, as I have demonstrated today by the examinations on the question of replacement value, that this was — even at a billion dollars — low.

But nevertheless, let's accept the Premier's figures. He says a billion dollars, but today we find out it's not even a billion dollars that the Premier talked of; it's \$800 million according to the minister opposite — approximately, give

or take.

So by almost any yardstick except an undocumented set of facts, unsubstantiated and untabled, there is no justification, no expectation of the value of \$800 million, except only one explanation for this, Mr. Chairman, and that is they want to give this corporations away to their big-business friends. Shame on them for trying to do that, and that exactly what's behind it.

Some Hon. Members: Hear, hear!

Mr. Romanow: — I want to come back to this article of which I describe. "Expert says PCS worth twice gov't figure." Now this, I think is a very interesting and compelling story. This is not Roy Romanow talking now. This is . . .

Mr. Chairman: — Order, order. Members are not to refer to other members or themselves by name.

Mr. Romanow: — Mr. Chairman, I want to refer to this story because I say to you that this is not the Leader of the Opposition or you or any other member of this Assembly who is talking. This story reports very accurately and very correctly some interesting figures on valuation as another piece of evidence that I summons in support of my case.

This is after the Premier's billion dollar citations of the figure. And I'm going to read portions of this story and I'm going to read it extensively so that you, sir, and the other members of the Assembly, especially those in the government side and especially those in charge of the Potash Corporation of Saskatchewan, can rebut with documentation. This is not me speaking now; these are others. Here's what the story says:

The Potash Corporation of Saskatchewan is likely worth twice (likely worth twice) what the provincial government is estimating for its proposed share offering, a leading U.S. fertilizer analyst says.

With four mines, hopper cars and nearly inexhaustible reserves, PCS's value is closer to \$2 billion that the government's estimate of \$1 billion . . .

I'll stop there to say today it's not even a billion, it's only \$800 million. This is March 14, 1989:

. . . Dr. John Douglas, an independent fertilizer analyst with more than 40 years experience, said in a telephone interview Monday.

I will stop there to say about Mr. Douglas that I believe that the people of the potash corporation know themselves this person and his credentials. In fact this was the same person who a year and a half ago at the time of the infamous sham called The Potash Resources Bill, introduced by the Minister of Energy — I would almost say a scam, but I can't because it's perilously close to being unparliamentary — the sham Bill at that time. And this was the person that the government relied upon as an expert, and as I'm advised, a government that still relies on as an expert with respect to other projects.

(1630)

Now I want to return to the bulk of the story. Mr. Douglas says this, Dr. Douglas says:

Contacted at his consulting business in Florence, Ala., Douglas described the government's estimated value of PCS (Potash Corporation of Saskatchewan) as "way under value."

I want to repeat that for you, sir:

. . . Douglas described the government's estimated value of PCS as "way under value."

"One billion is not half its value," said Douglas, who managed the U.S. Fertilizer Development Centre for 38 years before establishing his consulting firm in 1985.

"It's way to hell and gone too low."

That's exactly what the words are in the story, in this story, according to Dr. Douglas. He says it's \$2 billion. He says it's \$2 billion. How did he pull out that figure, from the air? We're saying it's \$2 billion if you take the replacement cost figure, something that the minister and the government opposite dismisses. Not according to Dr. Douglas, they don't dismiss it.

Two billion dollars, and so we have by all of the evidence — it may not be much, but at least it is evidence — and I'll table it, at least the opposition will have tabled an appraisal value of this corporation, something that the minister is unwilling or unable to do. At least it's a piece of evidence.

Douglas says it's \$2 billion. Replacement value says it's \$2 billion plus. Book value says it's \$1.2 billion. The Premier said it was a billion dollars. And now we find in the rush by this government to sell off this heritage and this asset it's only worth \$800 million and, sir, without one shred of documented evidence in support of that contention — not one documented piece of evidence in support of that contention.

An Hon. Member: — The minister laughs.

Mr. Romanow: — Well whatever the minister does in his reaction to my comments is his business. I don't care what he does or how his officials treat me or view me, they can take any arguments that I want and dismiss them and laugh at them openly and cavalierly. That's up to them.

But I tell you until and unless they table a documentation which will show to me and to the journalist and the people of the province of Saskatchewan, I am here elected, elected by the people of the province to ask precisely these questions. I'm going to continue to ask these questions. I think that it is the duty of the government back-benchers to ask these questions.

I don't think any one of them in caucus has even the slightest idea of what is happening with the Potash Corporation of Saskatchewan. They're told that it's a

popular thing, according to the opinion polls, and we know contrary. They're told that the evaluation is all in place, and we know contrary. They'd say that they've got some future plans with the money, and we know, based on the minister's response of yesterday, that it's contrary. What in the world are those people doing in the back benches of the Conservative Party? What in the world are they doing?

Some Hon. Members: Hear, hear!

Mr. Romanow: — What are they doing? Are they asleep at the switch or are they so committed to singing the Hallelujah Chorus to whatever the Premier and the Minister of Finance say in this privatization drive that they've lost all touch with reality? Are they so committed, are they so in the hip-pocket of the multinational, large corporations of this world that there is no other choice but to stop thinking critically and asking and answering these questions?

Where in the world are these people. What are you doing back there you back-benchers? What are you doing? How do you go back to your constituents and say, well, you know, I don't know how we explain Dr. Douglas; well the replacement value . . . what to you do? What is your job? Isn't there some pressure on you by your constituents or just your own duties at least to have some sense of documentation required for the valuation of the Potash Corporation of Saskatchewan? Isn't there some responsibility?

Some Hon. Members: Hear, hear!

Mr. Romanow: — Mr. Chairman, I say to you and I say to the minister and I say to the members of this committee, and I say to the minister specifically, and I don't want to drag his officials into this, but I say to you, sir, you are surrounded, and rightly so, that's what you should have in an important matter of this nature, the top people who can advise you on this issue.

I say to you, how we value this corporation is almost key to your argument about the merits of privatization. Prove to us, show to us, and if you think that we're incapable of being shown, that we are so blinded by our beliefs that we won't accept your arguments, then don't worry about us, table it in the legislature now so that the objective media and the public can be convinced of what you're doing and what you're doing being right, rightly done.

Is that such an impossible request to make? Is that an unreasonable request to make? What's holding you people back? I mean you have — and I don't say this in an argumentative way or using pejorative terms at all — you have three-quarters of a million dollars worth of talent sitting around you. You have more than that buried elsewhere. You have the best advisers, Credit Suisse. And you're afraid of little old Leader of the Opposition because you won't table the documents. You have a corporation which is worth \$800 million by your estimate and you can't produce a documentation because of a lonely band of 26 people who have some questions to ask.

What in the world is with you? Why the fear? Why the

paranoia? Why the closure, which the minister knows full well for another five hours at the most, means that's the end, he doesn't have to table anything. He will make a political speech in response. He knows he won't table anything at all, and we'll come out of this debate notwithstanding what some journalist said about focusing the debate, not having anything focusing the debate, without any documentation. What in the world are you people afraid of?

We have no economic arguments according to you; no valuation arguments according to you; no ideas as to future planning. You're the ones who have those high priced people from all over the world giving you that advice, and you cannot, will not tell the little old 26 lonely members in the New Democratic Party what those plans are.

What are we to assume, Mr. Chairman? What are we to assume, Mr. Chairman? What are we to assume and to conclude? What is the public going to conclude on that? Why is it that they are not telling it like it is by tabling the documents like they should? This still is a democracy, Mr. Chairman? This still is a place where we could have the right to demand and get these documents. And this still is a province where it is the obligation of elected governments, not in all circumstances, but in this circumstance, to table the documents. It is, sir.

And I say to the minister and the government opposite, shame on you. This is indeed a day of a sell-out of Saskatchewan, not only once — not only once — when the corporation goes, but twice with the money, and perhaps third time after that when we're left with the debt and everything and no assets combined. Shame, sir, on them!

Some Hon. Members: Hear, hear!

Hon. Mr. Lane: — Well I always enjoy the Leader of the Opposition when he dons his downtrodden raiment and tells how difficult a position he's in. but I want, just so that the public, and I know they haven't forgotten, remembers the debate in 1976 when the New Democratic Party took over the potash industry. And do you know what that same individual stood before this Assembly and said?

An Hon. Member: — What did he say. Gary?

Hon. Mr. Lane: — He said we don't know what mines we're going to buy. Several hundred millions of dollars in taxpayers' money he wanted to pay out; he did not want to tell this Assembly even what mines he was going to buy.

Did he, Mr. Speaker, did he tell the people of this province what he was going to pay for the mines that he hadn't decided upon? No, he didn't. And, Mr. Speaker, it is a matter of a lack of public record that never since 1976 has the New Democratic Party laid before the people of this province what it paid for the potash mines. Never once — never, ever given that information to the public.

Did the NDP ever give the valuations? Never once. And I challenge the people of this province to have the greatest

scavenger hunt in the history of this province to try and find out the valuations and the prices and the amounts of the people of this province of this province were going to pay.

But I will say to the people of this province, I will say to the people of this province that when they have the prospectus on the public issue, which will be a public document, which will be a document filed before the security houses of this country and elsewhere, when the people of this province have before them the prospectus, they will have received more information on the potash corporation than ever in the history of this province, Mr. Speaker.

Some Hon. Members: Hear, hear!

Hon. Mr. Lane: — Information, Mr. Speaker, that will be held up to public scrutiny before the securities commissions of Canada. Mr. Speaker, information that will be held up to experts to review, to assess the validity, to assess the truthfulness, to assess the completeness of that information, Mr. Speaker, information of a nature never before given on the Potash Corporation of Saskatchewan.

So I will say, the Hon. Leader of the Opposition, the Leader of the Opposition talked about a sell-out. The Leader of the Opposition talked about a sell-out to the rich, to the American friends. And only the New Democratic Party believes in its heart of hearts that sale of shares to the employees of the potash corporation is somehow a sale to the rich and the greedy and the mercenary. Only the New Democratic Party says that — no other political party that I'm aware of. But I will certainly say that is not the view of the Progressive Conservative Party of the province of Saskatchewan. And I will say, as well . . .

Some Hon. Members: Hear, hear!

Hon. Mr. Lane: — . . . I will say as well that when over a hundred thousand Saskatchewan people have bought shares and bonds that that's not the rich of Saskatchewan that is the people of Saskatchewan that are buying the shares, buying the bonds . . .

Some Hon. Members: Hear, hear!

Hon. Mr. Lane: — . . . and, Mr. Speaker, investing in their own economic future.

So he says that there's this sale to the rich. It's interesting that they have made that argument for several years. They made that argument prior to the 1986 election after Saskoil was done, and what did the people say? What did the people say? They said that it was a good idea. And they say the same thing about potash. And they say the same thing about potash, Mr. Chairman, that it's a good idea.

So then they say there's going to be a sell-out to the foreigners. There's a sell-out to the foreigners. And I want to put that in historical perspective and then I want to respond.

You know the biggest contribution to foreign investors was by the New Democratic Party when it bought from the German investors and the French investors, a potash mine called Alwinal. And they paid hundreds of millions of dollars to the German investors and the French investors for a potash mine. And do you know what those German investors and French investors did with that money? They took the money that was handed to them, the people's money, the people of Saskatchewan's money, they took that money, went down to New Brunswick, built a new mine in New Brunswick to compete with the Saskatchewan mines that the NDP were nationalizing, Mr. Speaker. So don't talk to me, don't talk to me about your concern about foreign investments. You gave them money. We're trying to attract their money to come in, Mr. Speaker. You give them money.

The truth of course is on the foreign investment, because I know that the NDP are going to repeat the argument over and over and over again that the potash corporation is being sold to foreigners. Let me restate — because it has to be restated every time — that the point is raised by the opposition, the provisions of the legislation that we are debating limit foreign share purchase to 45 per cent. But on that 45 per cent, they can only vote 25 per cent, and that's 25 per cent of the shares voted. So, Mr. Speaker, this Act ensures that if there is foreign investment, it is of a passive investment and a passive investment only, Mr. Minister, not a voting investment.

(1645)

And secondly, Mr. Speaker, they talk about the large multinationals coming in, and I gave the argument last night. I obviously didn't persuade the Leader of the Opposition. Like I say it's a rather interesting proposition that the NDP put forward, that competitors are going to come in and buy the potash corporation, invest in the potash corporation in hopes that the potash corporation does well so that their share value goes up, a rather strange position and of course not one accepted in the business community. Because if it was accepted in the business community, every corporation would go out and buy one share, one share in their competitors.

And as I said last night, Ford would go out and buy one share in General Motors, and General Motors would buy one share in Ford, and . . . (inaudible) . . . should buy one share in Chrysler and they would buy one share in Toyota. The Royal Bank would buy one share in Chase Manhattan Bank and Bank of Montreal would buy share in the Bank of Tokyo, or wherever it may be. Because if their argument is that they're trying to get information, they would get the information that shareholders would get for their annual general meeting, which is generally available to the public because the press will attend those meetings. And, Mr. Speaker, we have evidence of that.

I'm just reminded that at the Saskoil general meeting, there was an NDP member there. There was an NDP member there by the name of the member of Regina North West. How he embarrassed the New Democratic Party, but he had the right to be there; he had the right as a shareholder to participate. And, Mr. Speaker, I don't think

that the NDP member, when they were in government, had as much opportunity to participate in Crown corporations, asking about the Crown corporations; he was there as voting fodder to protect the government ministers of the day. I'll bet you he asked more questions as a shareholder of Saskoil than he ever did as a member when Saskoil was before Crown corporations and the NDP were the government.

Then we had the Leader of the Opposition today stand up and talk about a fertilizer expert by the name of Mr. Douglas and how they quote him as saying that it should be the replacement value. Isn't it interesting — and I know the press will be interested — that it is the same . . . he said it was undervalued, that we'd be undervalued, Mr. Douglas. They quote Mr. Douglas. Here is the same Mr. Douglas that says:

U.S. fertilizer expert says "Cargill deal can't miss."

The same Mr. Douglas. He says, and I will quote:

Saskatchewan will miss a glorious opportunity if the provincial government backs away from its plans to build a \$350 million fertilizer plant with Cargill.

That is the same Mr. Douglas — the same Mr. Douglas. The independent fertilizer analyst, Dr. John Douglas, says that Saskatchewan would be foolish to proceed with the smaller, inefficient Rosetown operation when it could have the joint project with Cargill.

Some Hon. Members: Hear, hear!

Hon. Mr. Lane: — So if you want to take Mr. Douglas as your authority for your argument, I would hope you would be consistent.

Now let me discuss the replacement value because the Leader of the Opposition repeated his arguments about the replacement value.

The replacement value of the potash corporation . . . and let's take their figures, they're high, but let's take them, let's take them. If you could go out and sell the potash mines at replacement value, that means that the competitors, people in the potash, could go out and build a mine. If it was profitable for them to do it at replacement value, they would be building new mines. Manitoba would have had its mine already.

The fact is it's not profitable or economic to do it. And I gave the example and the Leader of the Opposition used the figures of \$500 a tonne to replace a million, tonne, \$500 million mine. Okay?

Now the interesting . . . about the figure of the Leader of the Opposition here's what happens: \$500 million to build the mine; the depreciation would be about \$25 a tonne; the interest on \$500 million would be — and I don't think I'm unfair saying at 10 per cent — will be \$50 million, which will be \$50 per tonne on a million tonne mine. Potash is selling roughly 80 to \$85 a tonne.

If you are to take the NDP figures of replacement value,

here's what would happen. You would build a mine, a million tonne mine for \$500 million; you would be paying and selling it at 80 to \$85 a tonne; you would be paying \$50 of your \$85 for interest; you would be paying \$25 of your 80 to 85 for depreciation. Out of the \$10 left — \$10 left — you have to pay all your employees, you would have to pay your operating cost, you would have to pay your sales cost, you would have to pay perhaps transportation, depending. So I put all of those in — you would operate at a huge loss. And that is one of the reasons why replacement value is rejected as a valuation as to what the market would pay. The market will not pay for a loss, which is what would happen. So I think, in fairness, we have rejected a replacement value argument as a valid one.

I give a couple of other examples on replacement value, and I will repeat them again for the record for the Leader of the Opposition who raised it. If someone wants to go out and spend a million dollars building a house beside a sewage lagoon in Regina — it's worth a million dollars to that person — replacement value would be a million dollars. Someone comes up and says I'll offer you \$50,000 because it's beside the sewage lagoon, and that's all they will pay. Then the market says that that million dollar house beside the sewage lagoon isn't worth a million dollars. It's what the market says it's worth.

And I've talked about the question of someone with a \$15,000 automobile, and a year later, someone comes up and says, I'll give you \$10,000 for it. No, it's \$15,000 to replace that car to me, \$15,000. It's not worth it. It's not worth it. So the individual says that I'm prepared to pay you 10. Replacement value is 15. I'm not prepared to pay the replacement value. Market will determine what that is.

So then we asked the question about price/earning ratio, and we've given the figures, the advice I have of price/earning ratio, at six to seven times, which puts it very much in the range and valuation that I have given.

So what determines price/earning ratio? There are many factors. One of which is the long-term profitability, which means looking back to determine the profitability of company and how it's performed over years. That will have a tendency over time of increasing the price/earning ratio. I suspect that will ultimately happen with the potash corporation when it's privatized. That will have the effect, of course, of increasing the value of the shares remaining to be held by the government.

That's what happened with Saskoil. It's what happened with Saskoil. So we took a \$300 million Crown corporation, privatized; it's expanded, the government's investment now down to about 25 per cent is still worth what the whole company was worth when it was privatized. So the government's position in terms of actual amount of money is improving. So we take a look at the price/earning ratio, and we have discussed that.

So I've talked about several things that the investment community take into account when they do a valuation. They take into account, as I said, the price/earning ratio. They will take in to account foreign exchange. They will take into account their assessment of markets. They will

take into account, obviously, the corporation and its size in the market in this case. And I've discussed other factors that they take into account when they do that valuation. So that's what they do . . . (inaudible interjection) . . . I'm sorry . . .

An Hon. Member: — The book value, replacement cost?

Hon. Mr. Lane: — Well, it may or may not have any value in the terms of what the market sales value are. Book value is . . . they'd certainly take a look at that. But what effect it has in terms of what the market will buy can mean a great deal, or it can mean little, depending on the company.

But they fundamentally give advice as to what they think the investment community will pay for that. Is that market value the same as replacement value? No, not necessarily. Is it the same as book value? No, I gave you the example of the New Democratic Party when it held Agra, and it talked about selling its interest in Agra where it said in its own documents that the market value is 50 per cent of book value.

So we can take a look at those valuations. But the valuations on a public issue will be done by the investment managers who give, in their best judgement, taking into account all sorts of factors, what they think the market will pay for that company. And that is the figure that we have given — that's the figure that we've given.

He says he's not getting information. It thinks that's a very powerful figure that I have given to the hon. member. And I know full well, no matter what figure I give to the New Democratic Party, it is not going to be enough.

An Hon. Member: — Why?

Hon. Mr. Lane: — I just know that; that's the political process, that's the political debate, fair enough. It wouldn't matter what figure we put out, the speech would be the same, the speech would be sell-off, the speech would be sell-out, the speech would be: you're not getting enough money, don't sell out, hang on, hang on, hang on. That's what would have happened, that's what would have happened.

So I suggest to the hon. members that the prospectus when the new board approves a prospectus, issues the prospectus, I restate and I say this in fairness, that the people of this province will have more technical, financial, and detailed information as to the potash corporation than it has ever had before — more than it has ever had before.

And as I say, information that has held up to the scrutiny of the international investment community . . . (inaudible interjection) . . . I'm sorry? Well when the prospectus is ready. I offered today to give it to the hon. members and I have undertaken to make sure that you get copies of that.

An Hon. Member: — Give us your draft.

Hon. Mr. Lane: — I said there wasn't one.

Mr. Chairman: — Order, order. If the members are going

to ask questions they should ask questions from their feet so it's on the record, rather than from their seat.

Hon. Mr. Lane: — We've made it clear that what the fundamental debate is, the NDP, and I restated today, believes that control and ownership go hand in hand. We don't believe that. We believe we can control the industry through other means, as we do with oil and gas and the forest and uranium, whatever it may be.

So now they talk control of the corporation, and I have indicated with the 5 per cent limit, the limitations on foreign, 5 per cent is not going to give control; that the issue, as it goes out to the public, will be with the government, with the employees, with the public of Saskatchewan. Generally, it will be over 50 per cent.

And I have also indicated that what happens with the proceeds, the Government of Saskatchewan intends to consult with the people of the province. I think that that is only fair and I think that's only right. And that's the position of this government.

Some Hon. Members: Hear, hear!

Mr. Chairman: — It being 5 o'clock, the committee is recessed until 7 p.m.

The Assembly recessed until 7 p.m.