

The Assembly met at 2 p.m.

Prayers

## ROUTINE PROCEEDINGS

### PRESENTING REPORTS BY STANDING, SELECT AND SPECIAL COMMITTEES

#### Standing Committee on Private Members' Bills

**Clerk:** — Mr. Britton, as chairman of the Standing Committee on Private Members' Bills, presents the seventh report of the said committee, which is as follows:

Your committee has considered the following Bills and has agreed to report the same without amendment:

Bill No. 01 — An Act to amend An Act to incorporate Mennonite Brethren Church of Saskatchewan;

Bill No. 02 — An Act to amend An Act to incorporate Millar Memorial Bible Institute;

Bill No. 03 — An Act to amend An Act to incorporate Grey Sisters of the Immaculate Conception of Pembroke.

Your committee recommends, under the provisions of rule 58, that fees be remitted, less the cost of printing, with respect to Bills No. 01, 02, and 03.

**Mr. Britton:** — Thank you, Mr. Speaker. I move, seconded by the member from Prince Albert:

That the seventh report of the Standing Committee on Private Members' Bills now be concurred in.

Motion agreed to.

#### INTRODUCTION OF GUESTS

**Mr. Swan:** — Mr. Speaker, I'm pleased to introduce to you, and to the members of the Assembly, the president of Bethany Bible Institute from Hepburn, Saskatchewan, Mr. Cliff Jantzen. He's seated in the Speaker's gallery.

He's been a long-time member of the educational industry in Saskatchewan. He has served as director of education in a number of places, as a principal of schools, also as a regular teacher, and today serves as the president of Bethany Bible Institute. Please join with me in welcoming Mr. Cliff Jantzen.

**Hon. Members:** — Hear, hear!

**Hon. Mr. Petersen:** — Thank you, Mr. Speaker. Today, to you and through you, I would like to introduce to all members of the Assembly 17 grade 4 students from Wishart School at Wishart, Saskatchewan. They're accompanied by their teacher, Cindy Ramler; chaperons, Edith Prisiak, Pat Kostiuk; and their bus driver, Ed Weldon.

I would like to just say that I'll be meeting with you at about 2:30 in room 218 for some discussion and some refreshments. I hope you have a good stay here today and do learn something, please.

**Hon. Members:** — Hear, hear!

**Mr. Hagel:** — Thank you very much, Mr. Speaker. Mr. Speaker, I'd like to introduce to you, and through you to all members of the Assembly, 42 grade 4 students from King George School in Moose Jaw. They are seated in your gallery today, Mr. Speaker.

And immediately following question period today, they'll be taking a tour of the building. And I look forward to meeting with them for pictures at 3 o'clock, and after that, a brief visit and refreshments. Mr. Speaker, I would ask all members of the Assembly to join me in welcoming these young students from Moose Jaw to this, their Legislative Assembly.

**Hon. Members:** — Hear, hear!

**Hon. Mr. Neudorf:** — Thank you, Saskatchewan. And I would also like to join with the member from Rosetown in welcoming Cliff Jantzen to the Assembly this afternoon. I know that Cliff and the Bethany Bible Institute in Hepburn, which is in my constituency, has for many, many years been a stabilizing influence to many of our young people in satisfying their spiritual needs, not only people in Saskatchewan, but in our surrounding provinces as well. So Cliff, I welcome you here on behalf of the members.

And on a more personal note, Mr. Speaker, while I'm on my feet, I haven't taken this opportunity before but I would like to introduce three members in your Speakers' gallery on the top row as well, that are very near and dear to me and I'd like to introduce them to all members of the Assembly at this time.

They have been here on a number of occasions because of their interest in politics. And one of the people that I would like to introduce to you is my good wife Alma — if you would stand so that they could recognize you; my eldest son Dean, and a friend, Brenda Enns. They've come here to witness the proceedings this afternoon and will be going back tonight. So please make them feel welcome.

**Hon. Members:** — Hear, hear!

#### ORAL QUESTIONS

##### Saskatchewan's Credit Rating

**Mr. Romanow:** — Thank you very much, Mr. Speaker. My question today is to the Minister of Finance. Mr. Speaker, citing the reasons of heavy debt and weak economy, Moody's of New York, a copy of the report I have in front of me, yesterday lowered Saskatchewan's credit rating for the fourth time since 1982, from AA1 in 1982, one of the best ratings; according to yesterday's Moody's ratings, we're now at one of the lower ratings.

I would say, Mr. Speaker, a searing indictment of this government's incompetence and economic policy.

**Some Hon. Members:** — Hear, hear!

**Mr. Romanow:** — Mr. Speaker, my question to the Minister of Finance therefore is an important one but a simple one. When will this government get on the right track? What will it take to get this government back on the right track, to stop adding to this mountain of debt that you've accumulated since 1982, to stop adding to that debt, to get off the privatization kick, and to get your priorities away from the Cargills of the world, to the ordinary people of the province of Saskatchewan?

**Hon. Mr. Hepworth:** — Mr. Speaker, I say to you and all members of the legislature, that we take yesterday's credit downgrade by Moody's as serious. Obviously we're disappointed. But having said all of that, it's not totally surprising, Mr. Speaker. I think as they have observed, as has anybody who's lived in Saskatchewan for the last while, that this is largely a reflection of the impact on our economy of drought, of trade wars, of low commodity prices, especially in the agri-food area, Mr. Speaker.

It's also a reflection of our government borrowing on behalf of Saskatchewan farmers, rural communities, to maintain livelihoods, whether they are in rural or urban Saskatchewan, that are so dependent on that very important agriculture sector in our province, Mr. Speaker. There's no denying that our economy in the agriculture sector has been hard hit, and this downgrade is largely a reflection of that very event, Mr. Speaker.

**Mr. Romanow:** — Mr. Speaker, I have a new question for the Minister of Finance. While the Minister of Finance expresses his regret, unfortunately, Mr. Speaker, judging by his answer to my first question, he does not understand, I would argue, what Moody's clearly says is the cause of this problem. Moody says, and I've got a copy of his statement in front of me, says that this downgrading is due "to increasingly high levels at a time of economic weakness and relative financial stringency." That's what Moody says. A question of high debt.

Mr. Speaker, my question to the Minister of Finance is simply this: if you're not going to listen to the official opposition, if you're not going to listen to the business community, if you're not going to listen to the farmers, all of whom are worried about this mountain of debt that you've amassed since 1982, for goodness sake at least will you listen to your friends in New York, Moody's, and do something about these kinds of policies?

**Some Hon. Members:** — Hear, hear!

**Hon. Mr. Hepworth:** — Well as I said, Mr. Speaker, the observation that Moody's makes about our economy is the same one that I have made and I think that any reasoned thinking person would make about what's happened over the last two years in the agriculture sector, is that we have had some difficult times — weather, the high interest rate policy of the federal government, the trade wars I talked about. There's no question we do have . . . have had some difficult times in the agriculture sector.

The other thing is, Mr. Speaker, and we don't apologize for this, Moody's in New York does not by itself determine our public policy. We also made the conscious decision to back up farmers. And although the opposition members may be against our government making available \$500 million to get the crop in this spring, we thought that was important, Mr. Speaker, and we stand behind that kind of decision, Mr. Speaker.

**Some Hon. Members:** — Hear, hear!

**Mr. Romanow:** — Mr. Speaker, I have a new question for the Minister of Finance. Mr. Speaker, I ask you to consider, sir, the record since 1985. Our debt in this province has skyrocketed — skyrocketed from 5 billion to nearly 14 billion. Since 1985, we've lost over 50,000 people. Since 1985, privatization à la PC style is going ahead at a breakneck speed. And since 1985, we've had a downgrading of this province's credit rating for four times in the last five years. That's a searing indictment, Mr. Speaker. And more importantly than that it's saying that the New York investment community doesn't like this government any more than the people of the province of Saskatchewan like this government.

**Some Hon. Members:** — Hear, hear!

**Mr. Romanow:** — Mr. Speaker, my question to the Minister of Finance therefore is simple. Since because as the result of your policies of waste and mismanagement and privatization we are now, in terms of credit rating, below the province of Manitoba, below the province of New Brunswick, at a par with the province of Nova Scotia, when at one time we were a shining light in Canada, in the face of those facts, why don't you admit you simply don't have a game plan to lead us out of this mess that you've created? Why don't you simply admit that you've blown it?

**Some Hon. Members:** — Hear, hear!

**Hon. Mr. Hepworth:** — Mr. Speaker, the hon. member tries to draw the long bow and make the bridge that somehow it's waste and mismanagement and privatization that have led to this credit downgrade.

**Some Hon. Members:** — Hear, hear!

**Hon. Mr. Hepworth:** — And yet he himself, Mr. Speaker, read from Moody's commentary just a moment ago. And I challenge him, the honest, honourable person that he is, to cut past the political posturing and tell us where in Moody's it says that . . . Moody's commentary that it said the downgrading is due to privatization and waste and mismanagement. It isn't there, Mr. Speaker. It isn't there, because Moody's is too of the view that our economy has been in difficult times, Mr. Speaker, and we've had to back up the farm sector. And we don't apologize for that, albeit we're disappointed, Mr. Speaker.

**Some Hon. Members:** — Hear, hear!

**Mr. Romanow:** — Mr. Speaker, I have a new question for the Minister of Finance. And, Mr. Speaker, I want to say to the Minister of Finance that this morning on CBC

(Canadian Broadcasting Corporation), Mr. Speaker — the Minister of Finance would know if he'd have listened — that Mr. William Streeter who is on this statement that Moody's has published, has said that in part the downgrading is due to the fact that the privatization policies of this government which it's embarked on at a breakneck speed, have not resulted in a reduction of the debt, but in fact, as we pointed out yesterday, an increase in the debt when they privatized the Potash Corporation of Saskatchewan.

**Some Hon. Members:** — Hear, hear!

**Mr. Romanow:** — That's what Mr. Streeter said on CBC radio. And I say and I ask the Minister of Finance: in the light of the statement by Mr. Streeter and Moody's that your privatization policies result not only in a reduction . . . not a reduction of the debt but an increase in the debt; in the light of the fact that you've lost the population and you've got our debt up to \$14 billion, what in the world is it going to take to get you people changing your priorities for people instead of the big corporations that you're favouring?

**Some Hon. Members:** — Hear, hear!

**Hon. Mr. Hepworth:** — I thought the hon. member might have heard the interview on CBC radio this morning, which I did, and so I asked for a transcript of it. And I wonder what the hon. member will do if he's proven wrong and has taken Mr. Streeter, who is the assistant vice-president at Moody's, Mr. Speaker, if he has taken him out of context, will he apologize to the House and to Mr. Streeter.

Because what he said, Mr. Speaker, as I understand it, is this in response to a question from the interviewer, that:

Some of this is just because of the borrowing by the province for some of the Crown corporations is not being offset by privatization proceeds as it was in the past.

What he is saying, Mr. Speaker, is — Mr. Streeter's observation — is perhaps we should have more privatization to offset the debt that they accumulated, Mr. Speaker. What he is saying, Mr. Speaker, in my mind is when we enjoyed that double A rating, when the hon. member was a member of the government and they used to go to New York city with that double A rating, what did they do with the proceeds, Mr. Speaker?

They bought potash mines, Mr. Speaker, existing potash mines that got us the debt. That's what they did, Mr. Speaker. And what else . . .

**Some Hon. Members:** — Hear, hear!

**Mr. Romanow:** — Mr. Speaker, I have a new question for the Minister of Finance, and I thank him for confirming what I said with respect to the CBC interview. Because as Mr. Streeter says, in the words of the Minister of Finance, part of the debt is due to the fact that the debt is not being offset by privatization — the words used. And that's my point. It's not being offset by the privatization because the privatizations result in net losses like in the potash case:

\$440 million . . .

**Some Hon. Members:** — Hear, hear!

**Mr. Romanow:** — . . . \$440 million loss on that privatization — no wonder they can't offset the debt. And my question to you, Mr. Minister of Finance and Mr. Premier: who's got the money? Where's the money gone?

**Some Hon. Members:** — Hear, hear!

**Hon. Mr. Hepworth:** — Where has the money gone?

**The Speaker:** — Order, order.

**Hon. Mr. Hepworth:** — Well I'll tell you where the money went. That \$1.4 billion that was on the books, or \$1 billion-plus that was on the books — the potash corporation, Mr. Speaker — that money went to New York and elsewhere to buy out existing mines from companies that were across this North American continent, Mr. Speaker. That's where that money went.

And it went, Mr. Speaker, to buy up farm land that was existing in this province under their administration, under that ill-fated land bank, Mr. Speaker. That's what they did with that AA credit rating. And at the same time farmers and home owners were suffering 22 per cent interest rates.

And what did they do with their AA credit rating? They bought potash mines and they bought the farm land of this province, Mr. Speaker. That's what they did with the money, Mr. Speaker.

**Some Hon. Members:** — Hear, hear!

**Mr. Romanow:** — Mr. Speaker, I have a new question to the Minister of Finance. And I note to you, sir, and the other members of the House, that the minister still refuses to answer the question, which was: what in the world did you do with the money? Did you pump the money into GigaText? Did you pump the money into Mr. Childers' salary? Did you pump the money into Weyerhaeuser? Did you pump money into Cargill? Where in the world did the money go?

Would the Minister of Finance tell us where it went, because the loss on the Potash Corporation of Saskatchewan privatization was larger than the amount of money that the people invested to get into the potash business in the first instance.

**Some Hon. Members:** — Hear, hear!

**Mr. Romanow:** — So my question to the Minister of Finance and the Premier, who is aiding the Minister of Finance in the answer, anybody who wants to answer there, tell the people of the province of Saskatchewan, what have you done with the money? Why is our credit rating going down?

**Some Hon. Members:** — Hear, hear!

**Hon. Mr. Hepworth:** — As I said earlier, Mr. Speaker, the drop in the credit rating, as Moody's has suggested, is

largely a reflection of our economy on the one hand . . .

**The Speaker:** — Order, order. There are a multitude of people wishing to answer the question. Now let us allow the Minister of Finance to answer the question.

**Hon. Mr. Hepworth:** — I just would reiterate, Mr. Speaker, that the tight economy plus the fact that we made the conscious decision to back up farmers, and we don't apologize for that, because it's the farming community and all those who make their living directly and indirectly across this province, Mr. Speaker. And we don't apologize for borrowing to put rural natural gas into communities and farm homes across this province. And we don't apologize, Mr. Speaker, for borrowing money to put individual line service into farmers so that the children living in those farm communities can have access to computer data bases just like people in town do, Mr. Speaker. And we don't apologize for having individual line service across this country so our farmers and farm families can have access to business privacy in their phone discussions, Mr. Speaker.

And we don't apologize for going to the wall for farmers in this spring with a spring seeding program of \$500 million. We don't apologize for that. We do apologize, Mr. Speaker, for the folly of the NDP spending \$442 million too much to buy potash mines. That we apologize for, Mr. Speaker.

**Some Hon. Members:** — Hear, hear!

**Mr. Shillington:** — Thank you very much. Mr. Minister, in groping around for excuses to cover this embarrassing failure, you focus almost exclusively on agriculture. Mr. Minister, the public of Saskatchewan don't believe that, and now we have it in writing that the New York investors don't believe it either because Moody doesn't believe it.

Mr. Minister, one of the primary reasons given by Moody's for this province's lower credit rating is your massive borrowings for economic development. Mr. Minister, in this province economic development has become a byword for massive hand-outs to some of the world's wealthiest corporations such as Cargill and Weyerhaeuser. And, Mr. Minister, a by-product of those hand-outs is rising unemployment, massive out-migration, and farmers who have in fact gone to the wall.

Mr. Minister, is it your contention that Saskatchewan should suffer all of these problems so that we can give hand-outs to companies whose credit ratings are better than ours?

**Some Hon. Members:** — Hear, hear!

**Hon. Mr. Hepworth:** — Mr. Speaker, the hon. member objects to some of the joint ventures that we have pursued to diversify our economy, to add value, to increase our manufacturing and processing of some of our raw resources, Mr. Speaker, so that our young people will have jobs and opportunities in the future, so that we can have stability and growth in our rural communities. And we think that is a wise strategy, Mr. Speaker.

Now the hon. member will raise again the example of Cargill, but he will also not acknowledge the fact that we joined hands with the Saskatchewan Wheat Pool at Biggar Malt. They will also not acknowledge that we joined hands with the Co-op and built the upgrader in here to process heavy oil, Mr. Speaker. They will acknowledge that we joined hands with Lloydminster, Alberta to build an upgrader up there, Mr. Speaker. They won't acknowledge the project in Weyerhaeuser in Prince Albert.

Mr. Speaker, they have a very selective view of the world. It's driven by totally partisan political motives. If you want to have a reasoned discussion about an economic development diversification policy, let's have it.

But, Mr. Speaker, we're going to continue the course of economic diversification anchors in our economy so that our young people will have jobs, Mr. Speaker, so our communities will grow, be stable, and so our young people will enjoy a quality of life that we've come to enjoy, Mr. Speaker, in this province.

**Some Hon. Members:** — Hear, hear!

**Mr. Shillington:** — A supplementary to the minister. Mr. Minister, why should the Government of Saskatchewan put up most of the money for Cargill when their credit rating is better than ours? Why don't they just borrow the money themselves?

**Some Hon. Members:** — Hear, hear!

**Hon. Mr. Hepworth:** — Mr. Speaker, we have . . . our process . . . the tools that we have used to increase economic diversification in this . . .

**The Speaker:** — Order, order. I'm sure the hon. member will want to allow the minister to answer.

**Hon. Mr. Hepworth:** — Mr. Speaker, because we are not driven by any ideological dogma, we have used the entire range of tools to build and diversify this economy in partnership with the people.

I used the example of the co-op, the wheat pool, they happen to not like the Cargill example, the Indian bands in Meadow Lake. Where it made sense we put together Crown corporations, the Saskatchewan Water Corporation. Where it made sense to do joint ventures we did joint ventures, and where it made sense to privatize, like Sask Oil and Gas and others, we did so, Mr. Speaker.

The key question we should ask on fertilizer plants in this province, Mr. Speaker, is this question, is this question, and I pose it to the NDP to come forward with their policy on this. Saskatchewan farmers buy \$300 million of fertilizer a year here, and I ask him: why was there never a urea or ammonious hydraz plant built in this province during their entire regime, Mr. Speaker? That's the question. Why never a plant, Mr. Speaker?

**Some Hon. Members:** — Hear, hear!

#### Agreement with Weyerhaeuser

**Mr. Thompson:** — I direct my question to the minister responsible for the Crown Investments Corporation. And, Mr. Minister, will you confirm that to the end of 1987 Weyerhaeuser owed the province \$63.5 million in dividends as a result of the sale of PAPCO (Prince Albert Pulp Company), and that of this amount only \$53.5 million has been paid? Could the minister explain why the total amount has not been paid, Mr. Minister?

**Some Hon. Members:** — Hear, hear!

**Hon. Mr. Hepworth:** — Mr. Speaker, relative to the questions on Weyerhaeuser and their financial commitments to the province, as far as I'm aware, they're up to date, Mr. Speaker. And I think that is another shining example of taking . . . of diversifying our economy, very good jobs, high quality jobs, important, not only to this province, but important to the people in and around Prince Albert.

And if it's not important, stand in your place and say so. Don't argue one viewpoint here and another in Prince Albert like you do with the Cargill plant, where for the Moose Jaw MLAs they're all in favour of it, but when you're in this legislature either they duck it or you argue a different standpoint. Come clean with the public of Saskatchewan. I say come clean if it's anything less than partisan politics.

**Some Hon. Members:** — Hear, hear!

**Mr. Thompson:** — New question, Mr. Speaker. No wonder we're \$14 billion in debt, Mr. Minister, with that type of an attitude.

**Some Hon. Members:** — Hear, hear!

**Mr. Thompson:** — Mr. Minister, will you confirm that the Weyerhaeuser Company has paid not one penny on the \$236 billion price of the province's assets — not one penny? Will you confirm that?

**Some Hon. Members:** — Hear, hear!

**Hon. Mr. Hepworth:** — In so far as the exact details of the financial commitments to date, Mr. Speaker, I'll get those details and bring them back to the legislature, Mr. Speaker.

**Mr. Thompson:** — New question, Mr. Speaker, to the same minister. Mr. Minister, will you confirm that in 1989 Weyerhaeuser paid not one cent because it had a cash flow problem that year? And I maintain to you, Mr. Minister, that Weyerhaeuser pleaded cash flow problems and you let them off from their commitments, their financial obligations to this province. Isn't that the case, Mr. Minister?

**Some Hon. Members:** — Hear, hear!

**Hon. Mr. Hepworth:** — Mr. Speaker, what I'm aware of relative to Weyerhaeuser is the tremendous success that that project has been for Prince Albert and area and indeed for our province in terms of taking a raw resource, adding value to it, giving us a larger manufacturing and processing base, jobs for our young people, giving us

some breadth in our economy so we are less susceptible to drought and the agri-food industry, Mr. Speaker.

And I'll tell you, the only projects that these people, these people who are, as my colleague said yesterday, stuck between Marx and the market-place, the only projects that they're ever against, Mr. Speaker, they never raise questions in here if we're joining hands with the Wheat Pool or the co-op — any of those, Mr. Speaker — but if it's a multinational, vertically integrated, North American company, it is automatically bad. Mr. Speaker, for the sake of Saskatchewan people, our young people, and community stability, growth in our communities, can't we move beyond this petty ideological debate of the NDP's, Mr. Speaker.

**Some Hon. Members:** — Hear, hear!

**Mr. Thompson:** — Mr. Speaker, the minister knows full well that Weyerhaeuser has not paid one cent on the \$236 billion that it owes this province because of a cash flow problem.

My question to you, Mr. Minister, and by way of preamble, can you tell this House how many Saskatchewan farmers were excused from dealing with their financial commitments to this province because they had a financial cash flow problem, or business people in this province. And can you tell us how many Saskatchewan workers were excused from paying income tax because they had a cash flow problem.

Mr. Minister, these days lots of people are having cash flow problems. My question: why do you give Weyerhaeuser preferred treatment while at the same time you're policies devastate Saskatchewan people?

**Some Hon. Members:** — Hear, hear!

**Hon. Mr. Hepworth:** — Mr. Speaker, first of all . . .

**The Speaker:** — Order, order.

**Hon. Mr. Hepworth:** — First of all, I don't accept at face value the hon. member's accusation, Mr. Speaker. And the only other thing I would say is that I don't think the Saskatchewan people, I don't think the taxpayers of Saskatchewan, I don't think the Prince Albert people want us to go back to the NDP way where that plant under them was bleeding \$91,000 a day, Mr. Speaker. I don't want to go back to that. I don't think the people do, Mr. Speaker.

**Some Hon. Members:** — Hear, hear!

## MOTION UNDER RULE 39

### Saskatchewan's Credit Rating

**Mr. Romanow:** — Mr. Speaker, before the orders of the day, pursuant to rule 39 I would move, seconded by my colleague, the member from Regina Centre that this Assembly by leave, I would move:

That this Assembly regrets that the credit rating of the province of Saskatchewan has again been

lowered as a result of the growing economic crisis and the government's continued mismanagement of the provincial economy.

Leave not granted.

**Mr. Brockelbank:** — Before orders of the day, Mr. Speaker, I'd like to ask leave of the House to introduce a group of students.

Leave granted.

## INTRODUCTION OF GUESTS

**Mr. Brockelbank:** — Mr. Speaker, I rise on behalf of my colleague from Saskatoon Fairview, who is unavoidably detained from being here today, to introduce a group of students from Confederation Park School in Saskatoon.

A number of years back, I had the opportunity of representing that area of the city, which is now called Fairview, in this Legislature. This group, situated in the east gallery, Mr. Speaker, is 54 students, grade eight, from Confederation Park School.

I know that members will want to wish them the best of luck in their trip to Regina, an enjoyable trip. They're accompanied here today by Ford Mantyka and Dianne Selby, and I'll be, on behalf of the member for Saskatoon Fairview, taking the opportunity to meet with the students and answer any questions they may have about the legislature. Thank you, Mr. Speaker.

**Hon. Members:** — Hear, hear!

**Mr. Goulet:** — I'd like to ask for leave to introduce some students.

Leave granted.

**Mr. Goulet:** — Mr. Speaker, it's indeed my pleasure to introduce to you, and through you, students from northern Saskatchewan from the Churchill High School. There are 16 grade eight students accompanied by their teacher, Martina Cain and Leslie Moffatt. Could I have the House please welcome the guests?

**Hon. Members:** — Hear, hear!

## ORDERS OF THE DAY

### GOVERNMENT ORDERS

### ADJOURNED DEBATES

### SECOND READINGS

#### Bill No. 19 — An Act respecting the Promotion, Development, Control and Regulation of the Production and Marketing of Agricultural Products and Certain Amendments to Certain Acts resulting from the enactment of this Act

**Mr. Upshall:** — Thank you, Mr. Speaker. Mr. Speaker, I'd just like to make a few short comments on the Bill, basically being a reorganizing Bill. And I just want to start

out by saying that there are a number of things that happened between 1971 and 1982 when the New Democratic government was in Saskatchewan, and most of these — and pertaining to some of the reorganization of this Bill — most of these were very positive in nature for farmers in rural Saskatchewan.

Things like The Natural Products Marketing Act was rewritten and established marketing commissions and producer marketing boards. The Saskatchewan grain marketing control Act was amended to enable regulations to prevent distressed selling prices of feed grains. The Milk Control Act was amended to authorize the entry into national milk marketing. The Saskatchewan Hog Marketing Commission was set up. The SHARP (Saskatchewan Hog Assured Returns Program) program which farmers greatly benefitted from as was the sheep and wool commission, as was the vegetable marketing commission, as was the beef stabilization plan. And the agricultural return stabilization Act was put in place.

And all of these things, Mr. Speaker, are very, very important. And I just want to say that a Bill of this nature, reorganizing the departments, incorporating a couple of the existing Bills into one, is fine and well to proceed with. But I'll tell you, Mr. Speaker, and I tell the government opposite, it takes more than that to ensure that marketing boards' supply management is maintained in Saskatchewan, one of the mainstays, an orderly return for farmers where they can budget on.

But the problem as I see it, Mr. Speaker, is that this alone will not stop the erosion of orderly marketing in Saskatchewan. The free trade agreement is putting inordinate pressure on orderly marketing.

And I say to the government and members opposite, although this Bill is not controversial to a large degree, there is a great amount of controversy around the orderly marketing of products in Saskatchewan. And orderly marketing in Saskatchewan has proven itself to be an instrument which farmers can depend on. They can organize and budget and plan their operations in such a manner that they could provide themselves with a reasonable return. But this government's promotion of the free trade agreement, Mr. Speaker, is putting that today in jeopardy.

**An Hon. Member:** — Oh wake up and get your head out of the sand.

**Mr. Upshall:** — Well the minister says, wake up and get my head out of the sand. Well maybe I could just give him a couple of examples.

This government did away with the red meat stabilization plan and went to the tripartite system with hogs and with beef, and that plan is not being well accepted by farmers. But that is one step into the erosion of orderly marketing in Saskatchewan.

This government supported the federal government's move to undermine the Canadian Wheat Board, which is another orderly marketing instrument for Saskatchewan farmers. And he says that I should get my head out of the sand.

Well I'll tell you, Mr. Speaker, the facts speak for themselves. Every time there is a move against orderly marketing, this government supports it.

And I say it's going to take a lot more than introducing a Bill such as this in order to protect the livelihoods of farmers in Saskatchewan. The Premier himself, if you read back in his writings when he was a professor at the university in agricultural economics, says that supply management systems are not the right way to go.

And I've read those comments in this legislature. So he doesn't have it in his heart, Mr. Speaker, to go forward and develop these orderly marketing systems. Instead they're being eroded.

So, Mr. Speaker, with that I think . . . or I would just ask this government, it's fine to put forward legislation like this, but you must have it in your heart to support the orderly market supply management systems that we have established in this province. They are so crucial to what is basically a crisis in agriculture today, though that orderly market supply management system provides stability.

And that's what we need in agriculture — stability. That's the only bit of stability that we have, the only long-term programs they had that we, when we were government, put in. And they are being beneficial to farmers thus far, but are being eroded by the Tory government. So, Mr. Speaker, I just would say that I will now allow the Bill to proceed.

Motion agreed to, the Bill read a second time and referred to a Committee of the Whole at the next sitting.

(1445)

#### COMMITTEE OF FINANCE

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

##### Item 1 (continued)

**Mr. Solomon:** — Thank you, Mr. Chairman. Mr. Minister, do you have any people working on your personal staff or in the department on a contractual basis?

**Hon. Mr. Swenson:** — Yes, we have people that work for the department under contract.

**Mr. Solomon:** — How many people do you have on contracts and in what capacities?

**Hon. Mr. Swenson:** — Mr. Chairman, I might ask a clarification from the member. Is he talking about the people that have personal services contracts with the department or all the people that have had contracts over the last year?

**Mr. Solomon:** — I'm interested to know, Mr. Minister, how many people you've had on personal services contract in the last fiscal year and how many you have on the current fiscal year.

**Hon. Mr. Swenson:** — If I might, Mr. Chairman, I'd like to send . . . there's a number of pages here and we'll send it across to the member. It'll indicate in a commentary whether the contract is current or has expired.

**Mr. Solomon:** — Okay, thank you, Mr. Minister. I appreciate that. These are individuals and companies who are in personal contract with the department in the previous fiscal year, in the current fiscal year. And is there also . . . Oh, there is also a reference with respect to where they work. I appreciate that. Thank you very much. I'll have a look at that at a later time.

Mr. Minister, I want to draw your attention to some work done and published by *Sask Trends Monitor* and reported on Saturday, May 12 in *The Globe and Mail*, and I'll have a page if I might take this copy over to the minister and he can have a look at it. But the figures used by the *Sask Trends Monitor* are all taken from publications of your department, the annual report, the mineral statistics year-book, and budget estimates, and they are, Mr. Minister, in essence the government's figures. In case you haven't seen them, you've got a copy there.

But, Mr. Minister, this business publication has come to the conclusion, the conclusion that the opposition arrived at some time ago, as you will be aware, that, and I quote:

Even with the declining prices, had the royalty and taxation levels remained at their earlier levels, the current provincial operations debt of \$4 billion would simply not exist.

That's the conclusion of this *Sask Trends Monitor*. Back in 1982 you will recall that the Premier loudly and proudly announced that the province is so rich in resources, and I quote the Premier: that we can mismanage the economy and still break even. Mr. Minister, on the basis of these statistics, how does it feel to have the Premier proven wrong?

**Hon. Mr. Swenson:** — Well, Mr. Chairman, in all due respect to the hon. member, and I do thank him for sending the article across, but it simply is not an accurate piece of information. And I'll give you a number of reasons, give the committee reasons why not.

Saskatchewan's rates, royalty rates — and no one argues this point either in the industry or outside — continue to be the highest of any province in Canada. In other words, the royalties that we take here on oil and gas production are higher than any other jurisdiction.

This government, and the member is correct, has been far more responsive to the ups and downs of the market-place in price than the previous government was. And I believe that the net result of that responsiveness has been evident in a number of areas. We've kept many wells producing in this province that would have been shut under the previous regime. It has meant that new drilling has been maintained, levels of drilling have been maintained.

And by maintaining that production and the drilling, you obviously maintain jobs and you keep revenues flowing

even when the price of oil goes from \$35 a barrel to 10. And I think that our royalty system is one of the best in North America. When oil prices go down, the royalty goes down; when oil prices go up, the royalty rates rise.

When the oil prices return to the 1985 levels, the royalty rates will also return to the 1985 levels. And I think that's all that needs to be said in regards to the particular article, Mr. Chairman.

**Mr. Solomon:** — Well, Mr. Minister, the article, from what we can gather, reflects accurately the statistics that have been provided by the department. The minister may not recall this, but in the '70s the price of oil was a lot less than it is now. As a matter of fact, if you'll talk to your officials they will tell you that in 1972 and '73 the price of oil was \$3.54 a barrel. And I might add that the royalty revenues that we received in the '72, '73, and '74, and '75 period were quite significant when you consider the prices that we're now getting for oil.

But, Mr. Minister, your policies and that of your government have been basically disastrous for the people of this province. In many respects the debt that your government has saddled on the people of Saskatchewan has been a direct result of your mismanagement of our provincial resources and in other areas.

And we've seen today in question period the Minister of Finance respond in a most incompetent fashion to questions with respect to the dropping of the province's credit rating. Mr. Minister, you sat in that chair during question period and I saw you wince more than once at the Minister of Finance's responses. Moody's has downgraded the province's credit rating five times since you've been government, four times in the last four or five years.

And we've seen, Mr. Minister, the result of the privatization programs of your government and some of the other programs, one of which is the resource program. The resource program is not the major reason for where you guys are at right now with respect to debt in the economy and the mismanagement and the patronage and the corruption. But certainly the resource sector is very important and that's the estimates we're covering right now. But since 1982 the value of sales of our resources has increased from approximately \$2.2 billion to approximately \$3 billion in 1989, and yet the government revenue as a per cent of the value of those sales has decreased from approximately 35 per cent in '82 to 12 per cent in 1989. The forgone revenue would have eliminated the debt crisis you are now experiencing, even with all of the mismanagement that you've practised. It wouldn't have eliminated the Crown corporation capital debt because that has gone to over \$9 billion, but it would have helped out the operating deficit of this province.

And even with the mismanagement of your government, you would have been a lot closer to having a balanced budget than which you now have, somewhere around 4.4 or 4.5 billion, depending on which numbers you look at.

It would have enabled your government to deal with the

current agricultural crisis as well, which you seem to be ignoring in spades, and if nothing else, you may not be ignoring it, but you're certainly playing cruel politics with the farmers and the farm families and the small-business people of this province.

It would have, Mr. Minister, provided your government with the means and wherewithal to facilitate the continued diversification and strengthening of our total economy.

And in that regard, I note from your department's '88-89 annual report that your officials have been undertaking reviews of all of the resources, including uranium, oil, coal, potash, and natural gas structures that are now in place. My question, Mr. Minister, to you is, what further changes are planned or contemplated in regard to those five areas?

(1500)

**Hon. Mr. Swenson:** — Well I believe, Mr. Chairman, that first off we don't dispute the figures that were in that particular article. They haven't had time to totally go through them, but they seem reasonable. The problem is that the article comes to the same erroneous conclusions that the members opposite had been making for years. And it's that the world never changes, shall we say, in the oil business. And I'd like to point out to the member — and I know this has been pointed out to him in other years — that if you allow, for instance, for the inflation factor on a barrel of oil which was worth \$19.34 in 1981, that's the equivalent to \$29 in 1990 dollars.

Costs of production — profit margins have continued to shrink. You can't collect the same level of royalties that you did in 1980-81 if that profitability isn't there any more. The production of the average well in Saskatchewan — and this has been pointed out to the member year after year — has declined from an average of 20 barrels a day in 1981 to a projected average of 15 barrels a day in 1990.

New oil in Saskatchewan will account for probably 75 to 77 per cent of production in 1990, compared to 30 to 35 per cent in 1981. Under both the previous government's system and ours, the higher costs of new oil were recognized as far as royalties and relationship to old oil.

I'll leave it at that, Mr. Chairman, and see if the member has further responses.

**Mr. Solomon:** — Mr. Minister, I would appreciate your response with respect to my question pertaining to the changes in royalty structures for uranium and oil and natural gas and coal and, I think it was potash. Do you have any ... or are you now considering any particular changes? And if so, what are they?

**Hon. Mr. Swenson:** — In response to the member's question, Mr. Chairman, we don't anticipate any changes in the coal area; as the member knows, potash had changes last year; there will be revisions in the uranium area coming, and those will be announced at the appropriate time. No major changes are planned in the oil and gas area.



**Mr. Solomon:** — With respect to uranium, Mr. Minister, what sort of changes are you contemplating at this point? What are your options?

**Hon. Mr. Swenson:** — Mr. Chairman, as I said in my initial remarks to the member, I don't believe it would be appropriate to get into a long-drawn-out debate on this stuff. But I can tell the member that the royalty component, which, by the way, the member knows is 5 per cent of gross sales — the basic royalty — which was raised from 3 per cent in '88-89. So the royalty system will still have the two components; the basic royalty which will be at 5 per cent, and the graduated royalty which is tied to profits.

As before, the system will provide for capital recovery. There will be brackets on that graduated royalty and they will go to a maximum of 50 per cent which they were before.

**Mr. Solomon:** — Thank you, Mr. Minister. One final question on that. What prompted the review of the uranium royalty structure?

**Hon. Mr. Swenson:** — Mr. Chairman, I think, as once again the member would be well aware that most of the uranium structure, as the same as the potash structure, had been around since the mid-'70s. And as time has moved on, certain realities have come to light about capital expenditure, these types of thing, in the industry. And there were certain administrative hurdles that over the years have become evident to both departmental people responsible for collecting royalties and taxes and for companies unable to do their bookwork.

And I think it is generally recognized across the piece, as it was in the potash industry, they update. And modernization, in some cases, streamlining, was necessary in that particular industry. And I think, with the consultative process that has gone on over the last couple of years, that that is the end result.

**Mr. Solomon:** — Would the change in royalty structure or the royalties themselves be undertaken by order in council or by regulation or by an Act of this legislature?

**Hon. Mr. Swenson:** — It would be by regulation.

**Mr. Solomon:** — Would this change be prompted at all by the merger of SMDC (Saskatchewan Mining Development Corporation) with Eldorado into the new company, Cameco?

**Hon. Mr. Swenson:** — No, I don't think so. This discussion on modernization has been going on since '80-81 because of problems that had occurred before.

**Mr. Solomon:** — Mr. Minister, as you'll recall, the last federal election was fought primarily on the question of the free trade agreement with the United States, and one of the major objections to the agreement by the majority of Canadians, and I might add by the people of this province, was in the field of energy.

In the energy sector, we had many objections. The most

significant, the overriding objection was the establishment of an integrated energy economy in North America — a continental energy policy, if you will. Indeed, you will know as well that as recently as the most recent western premiers' meeting in Portage La Prairie just a couple of weeks ago, Governor Sinner of North Dakota, has advocated a common currency, a common monetary policy, and a common exchange rate. That in my view, is a logical extension of the free trade agreement that you and your government have so stoutly and, in my view, so mistakenly defended.

At the time the FTA (free trade agreement) debate was raging, many Canadians were suspicious that the position of Governor Sinner was in fact the unspoken position of the government opposite and the federal government as well, with your efforts to maintain a high value of the Canadian dollar in relation to the U.S. dollar.

Such a policy only benefits the United States as we know, as it becomes increasingly prohibitive for Canada to proceed with necessary and desirable economic development projects, and indeed realize the energy export potential that was available to us regardless of the FTA.

(1515)

Jerry Protti, the executive director of the Independent Petroleum Association of Canada (IPAC), estimates that:

Depending on the exchange rate, the Canadian industry can lose between 25 cents and 35 cents per barrel for each 1 cent in the exchange rate.

This was in a speech that he gave in February 1990.

And you know very well that the destructive impact on 86 cent dollars has had on the financial position on other projects in this province as well as the — in particular I guess the NewGrade upgrader. A 1 cent change in the Canadian dollar affects the cash flow of Saskoil by \$1.5 million, and that comes out of the annual report, page 39.

Mr. Minister, in view of this increasing value of the Canadian dollar vis-a-vis the U.S. dollar, what representations have you made to the federal government regarding this destructive impact of the high dollar, which has had and continues to have on this province and in the energy sector.

**Hon. Mr. Swenson:** — Mr. Chairman, as the member knows, the question of interest rates and exchange rates have been raised many times in this House in the last few months. And I think it's on the record very clearly that the Premier of this province has made representation to Ottawa because, as a resource exporting province, as a producer of many natural resources, we naturally are affected by exchange rates. And that goes right on from the grain farmer on down.

And those representations have been made. The Premier of this province, I believe, was chosen by his fellow first ministers to make representation on behalf of all of them to the federal government who have, no question, had a monetary policy primarily aimed at coping with inflation

in central Canada. And that certainly isn't the wish or the policy of this government. And as the member knows, when he was a member of a government that had interest rates running at some 22, 23 per cent in the early '80s, that their particular first minister of the time had very little success negotiating with the federal government, even though they had many similar similarities in their outlook on life at the time.

And it's one that we will continue to press for, and I think our Finance Minister and our first minister will ably do that representation for us.

**Mr. Solomon:** — Well, Mr. Minister, times have changed, as you said earlier in your response to one of my questions. And the times indeed have changed, not just with respect to the price of oil, but times have changed with respect to monetary policy and in governments.

In the early '80s when there was an NDP government in this province, there was no operations deficit; there was a surplus, as you know, of \$139 million. We had a Heritage Fund that had assets of a billion dollars, and we had a Crown corporation capital debt of \$2.3 billion.

That compares now to an operations deficit of \$4.5 billion that you and the ministers of Finance in your governments have put together, and your Premier. You've spent far more money than you could raise, even though taxes increased and services declined. You have a Crown corporations capital debt of over \$9 billion, which is up from \$2.3 billion eight short years ago, or in some people's view, eight long years ago. And times have changed, and we made representations at that time with respect to interest rates, almost on a regular basis.

The other thing that's changed, Mr. Minister, is that we now have Conservative government in this province and you have a Conservative government in Ottawa. And we all know that the Premier has been a yes-man to Mr. Mulroney's act of Prime Minister. He's agreed with everything the Prime Minister's ever said. And now you're in the position whereby, since the Premier has supported the Prime Minister in such a loyal and blind fashion over the years, should perhaps have some influence with the Prime Minister, his cousin, Mr. Mulroney, who's also a Conservative.

And my concern is, Mr. Minister, is today on behalf of the energy sector, whether you, as minister responsible for Energy and Mines and the natural resources, the non-renewable resources of our province, have made a representation to the government or has your officials at least conducted an evaluation with respect to the impact of the current monetary policies of Ottawa on the resource industry in Saskatchewan? And what has been the impact, for example, in the business on employment and revenues to the province and industrial expansion and exploration development.

Can you share with us today: (a) what evaluations have been done by your staff and by your department with respect to monetary policy on the items that I've raised? And (b) why have you not undertaken to have a little more influence with respect to monetary policy, because it does affect our province, in particular in the resource

area?

**Hon. Mr. Swenson:** — Mr. Chairman, I think in response to the member's statements about the plenty which abounded in this province under his administration, I think the reply from the Finance minister today was most appropriate in question period. I mean it was quite obvious what their resource policy was, was they paid 440-some million dollars too much for the potash mines that they bought, and we won't go on to any more of that.

I think when you talked about the evaluation of exchange rates, certainly we know very well in our department here that a 1 cent change in the Canadian dollar can result in three and a half million dollars of return to the province of Saskatchewan on oil.

I think more importantly, our policies that we develop in Energy and Mines, we want policies that are successful in promoting investment, development, and jobs in this province, irregardless of what happens in Ottawa. And I think a good example of that is the natural gas industry in this province.

Saskatchewan led the way in the deregulation process in Canada, and the net result for Saskatchewan by leading the way has been the proving up of reserves that 10 years ago no one imagined were there. It has meant expanding the horizon of that particular industry to the far reaches of our province. It has meant thousands of jobs and a very significant royalty return. And that's because Saskatchewan led the way regardless of what Ottawa was doing at that particular time. And I think that's been the hallmark, the corner-stone of Energy and Mines' success in the 1980s in a period of very much difficulty in other parts of the world.

And I think at the end of the day when we talk about financial policy within the country, the best people to make representation as far as interest rates, exchange rates, and that type of thing, on behalf of all the people of our province is our Finance minister and our Premier, because they are the people that have the best background in that particular area and are the ones that should carry the ball.

And Energy and Mines will do as I recently did at Kananaskis where you make specific representations to the federal minister of Energy on specific areas and keep promoting your areas of endeavour. And certainly I had lengthy discussions with Mr. Epp about the natural gas business and our concern that it continue to be allowed to grow and provide those things that I just mentioned.

**Mr. Solomon:** — Well let's indeed set the record straight, Mr. Minister. The Finance minister's response today in question period was a shotgun effort filled not with gunpowder but filled with a lot of misinformation and inaccuracies. The record will show, and your officials will confirm this, that the Potash Corporation of Saskatchewan was set up and by 1982 there was less than \$441 million spent on the entire nationalization of the industry.

And as matter of fact in 1982 the member for Qu'Appelle-Lumsden will know . . . and I wouldn't take

my advice from him if I were you, Minister, because he has been the most inaccurate politician in the entire history of the province when it comes to outlining figures.

(1530)

But we see, Mr. Minister, in 1982 when you guys took over, the total debt of the Potash Corporation of Saskatchewan was \$150 million or thereabouts. And what we have, Mr. Minister, is a total debt of far less than what it was worth by 1982, of about \$150 million. We saw when the PCS (Potash Corporation of Saskatchewan Inc.) was nationalized after six or seven years of the member of Qu'Appelle running this thing into the ground and going to the markets and borrowing money, hundreds of millions of dollars over and above that, a debt of over \$900 million of Potash Corporation of Saskatchewan. When you sold it off, the taxpayers took the gas for that \$441 million on your incompetence, on your building of the debt of the potash corporation, and as a result of your privatization policies.

So that's the first fact which the records will show unless of course the former minister of Finance, the member from Qu'Appelle-Lumsden, has rewritten some of those history books. But I'm afraid he couldn't write them all. There are some books of that nature in the libraries around the province that he wasn't able to recall and burn and rewrite.

But he's trying to write history in this legislature. And you repeating the inaccuracies of your Minister of Finance which were provided mostly by the former minister of Finance who has put this province on the brink of bankruptcy, is not a very good strategy on your part.

And I guess the second thing we get from your response, Mr. Minister, is that your department has not done an evaluation with respect to the impact to the monetary policy on the resource business in this province.

And I would advise you, Mr. Minister, that perhaps you'd better start undertaking some review and some evaluation and coming up with some kind of a plan. And I'm curious to know, Mr. Minister, if you could outline the effect of this monetary policy of high interest rates and high Canadian dollar vis-a-vis the American dollar on the royalty structure for the oil and gas business? And I'd also like to know what your view is as a result of these monetary policies. What is your estimate with respect to the volume of production this year, and will the \$19.50 a barrel that you've estimated in your budget for oil, is that still a forecast that you stand by?

**Hon. Mr. Swenson:** — Mr. Chairman, as far as the member's question about analysis, I mean, it is fairly simple arithmetic, and you can sort of do it like this: a 1 cent change in royalties . . . or a 1 cent change in exchange rates can cost the provincial treasury \$3.5 million in oil; if it's 2 cents, it's 7 million. And you keep going up the ladder.

That analysis is quite evident to everyone, I think, involved in the industry. Our blue book figure of WTI (West Texas Intermediate) 1979 U.S. in Chicago is what we believe to be accurate and true. And that will be on a

volume of some 71 million barrels of oil, which will be within about a million barrels of last year. Those are the figures that we are using and believe to be true.

**Mr. Solomon:** — I appreciate that. Thank you, Minister. And I think the people of Saskatchewan are thinking highly of you for not taking the advice of the former minister of Finance with respect to the potash, in response to my comments.

Mr. Minister, I notice from the estimates of this year that projected growth in natural gas revenue is up about \$15.5 million. My question is this: how much of the increase is premised upon the increased production directed to the exports into the U.S. market, and how much of this increase is dependent upon the National Energy Board decisions regarding pipeline expansions into the California market and the north-eastern and mid-western states?

**Hon. Mr. Swenson:** — Mr. Chairman, I'd like to inform the member that Saskatchewan does not ship natural gas to California. The volumes that would go into the eastern U.S. market, the mid-west market, are very insignificant amounts. Our blue book figure which he's referring to there will be predicated by higher sales volumes primarily to eastern Canada, anticipated higher well-head prices and naturally higher royalty rates because price goes up and the royalty is tied to price. Price goes up and . . . So naturally we don't believe that these predictions, estimations are anything to do with National Energy Board considerations of new pipe.

**Mr. Solomon:** — Mr. Minister, the policy branch of Energy and Mines reviews take-overs in the oil and gas industry, I am told. What is it that the department really does in that regard?

**Hon. Mr. Swenson:** — I believe, Mr. Chairman, that all take-overs of companies, for instance, by foreign firms are done through Investment Canada who then, through Consumer and Corporate Affairs on a national level, consult with provincial ministries of Energy and Mines.

During those consultations, naturally our views would be in the area of changes and investment patterns. For instance, in one of our oil fields, jobs. Generally questions that would involve stability in the oil and gas sector, for instance, in our province. And they don't necessarily communicate everything that Investment Canada goes through when they do their decision-making process, but we do make our views known through Consumer and Corporate Affairs on the federal level. And generally the process has been quite satisfactory to us.

**Mr. Solomon:** — Mr. Minister, on page 9 of your annual report it states that, and I quote:

Takeovers of Canadian oil and gas companies by foreign companies are reviewed by the branch . . . (policy section, oil).

Could you provide us with a copy of those reviews and reports generated by that department?

**Hon. Mr. Swenson:** — Mr. Chairman, I made one small mistake in the chain that I was explaining to the member there, that we do not communicate directly with the federal Department of Consumer and Corporate Affairs. We in fact would communicate any concerns that we may have through our own provincial Department of Consumer and Corporate Affairs. They in turn would talk to their federal colleagues in Investment Canada.

Any reviews that we would do would have pieces of commercial information attached to them, and we don't believe it would be appropriate to release those reviews because of the commercial stuff that is attached to them. And I'm sure that if the member has questions pertaining to this particular area, that Investment Canada or the individual companies concerned would probably be the best place to access information, vis-a-vis take-overs or amalgamations.

(1545)

**Mr. Solomon:** — Is the minister saying . . .

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

**Mr. McLaren:** — Mr. Chairman, I would ask for leave to introduce some students.

Leave granted.

### INTRODUCTION OF GUESTS

**Mr. McLaren:** — Thank you, Mr. Chairman. It's my pleasure today to introduce to you and to members of the Assembly some students that come from outside our boundaries of Saskatchewan, Mr. Chairman. They're from Alonsa School, Alonsa, Manitoba, and they're a grade 12 class, seven in number. And they're accompanied today by their teachers, Lesley Goodhand and Ronald Lund. And one unique visitor with us is the teacher, and she's a niece of our Sergeant-at-Arms in the Assembly here. And Bill isn't in the House right at the moment, but he was here a little while ago, and I understand that he's meeting with you later.

We hope you enjoy your visit to the Saskatchewan legislature, and we thank the teachers for doing this sort of thing to bring the students to see how democracy works in our legislatures. We commend you for that, so I would ask all members to please welcome these students from Manitoba.

**Hon. Members:** — Hear, hear!

### COMMITTEE OF FINANCE

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

#### Item 1 (continued)

**Mr. Solomon:** — Thank you, Mr. Chairman. I'd like to join with the member from Yorkton to welcome the students from Manitoba. I hope you enjoy the visit to

Saskatchewan.

Mr. Minister, you're saying then that your annual report which reviews . . . which says one of your branches in the department reviews oil and gas company take-overs by foreign companies, have not reviewed any such take-overs in this province in the last fiscal year or the current fiscal year?

**Hon. Mr. Swenson:** — I didn't say that at all, Mr. Chairman. I said that in doing our review process we pass on our . . . if there are concerns on our behalf as a province, we pass them on to Consumer and Corporate Affairs who then would deal with it on a federal level. And it's been our view that that review process, because of potential commercial applications which may be part of that review process, it wouldn't be proper for us to publicize them, but that is an ongoing process.

**Mr. Solomon:** — Well, Mr. Chairman, Mr. Minister, I know you're trying your best to get us answers, but I just want to make an observation that your response time is very slow. You're using up a lot of time in getting briefed for every single question that we've raised and I would hope that this is not an indication of the lack of interest in your department. I don't think you've done your homework at this point.

And, Mr. Minister, what I want to do is I want to ask you if you can get for the opposition at least a list of the reports that you've done, with maybe a half a page précis as to, not confidential information, but an outline of what the report undertook, what was the topic, and basically what was the recommendation or the status of that topic. Is that possible to get?

**Hon. Mr. Swenson:** — We'll certainly make a list of the reviews that we've done available to the member. And he wants details. I've explained where he can go get them.

**Mr. Solomon:** — Thank you, Mr. Minister. At the current rate of production and exploration and development — I should say production and demand and use of the oil and gas reserves in this province — what are the most up-to-date figures that you have with respect to our oil reserves and our natural gas reserves in Saskatchewan?

**Hon. Mr. Swenson:** — Mr. Chairman, in response to the member's question, the latest figures that we have are December 31, 1988. For oil that will be 760 million barrels, and the same date for natural gas would be 2.64 billion cubic feet. Our updates for 1989 will be available this fall and we'll have them . . . those updates will bring it up to December, end of December of '89.

**Mr. Solomon:** — Thank you, Mr. Minister. How does that translate into years, to cover off our current consumption and selling rate?

**Hon. Mr. Swenson:** — I should have said when I was giving the member the natural gas figures that that's trillion.

At current consumption rates we would be 10 years-plus on the oil side, and the natural gas would be 13 years-plus. That would be assuming no additions of

course.

**Mr. Solomon:** — Thank you, Mr. Minister. I draw your attention to an article in *oilweek* dated September 11, 1989, and the title of the article is, "Leaner, meaner industry emerges from the year of the takeover." The article reports on a study contained in the *Woodside Report — 1989*, and I'll quote from the report.

... the top ten companies survey for oil reserves now hold 71.2% of those reserves. The top ten companies in gas reserves own 59.9% of natural gas reserves.

Capital spending — which increased by 45.8% in 1988, was ... concentrated in a handful of companies, especially senior producers who recorded a 91.3% increment in reinvestment.

The 1989 takeover of Texaco Canada Inc. by Imperial Oil Limited redefines the term "big" for every other company in the industry ...

... Imperial Oil now holds 31% of the oil reserves and 23% of oil and natural gas reserves ... on a BOE basis (10 thousand cubic feet of gas per barrel of oil) ...

Mr. Minister, could you comment on the trend in these quotes? Do you believe that this is a healthy situation for the Canadian industry? Do you believe that it's a healthy situation for the Saskatchewan industry and do you believe it's a healthy situation for the Saskatchewan consumer?

**Hon. Mr. Swenson:** — I think the trends, Mr. Chairman, that the member talks about would probably be just the opposite in this province here. We have seen a major shift away from the major companies and definitely increased opportunities for the small and mid-sized companies. And we went into that in great detail yesterday when we were talking about Saskoil because that's from whence Saskoil came, and obviously have had tremendous growth. And there are a number of companies having those opportunities.

I think when one looks what happened in 1986 in the world petroleum industry, naturally there is a realization by companies that financial stability and strength is a requirement when you take those sudden dips and dives that OPEC (Organization of Petroleum Exporting Countries) have not been able to control.

My concern from the point of view of Saskatchewan is that we keep the production up, we keep those wells pumping even though they are low producers, that the investment, the jobs, stay here. And I think the opportunities that have been presented to small and mid-size companies, certainly in this province in the last couple of years, fit right into that particular plan.

**Mr. Solomon:** — I understand as well that the smaller independents, even the large and mid-size independents, are doing a lot of exploration in this province. But my question to you, Minister, is this. There has been this increasing of reserves or increasing the amount of

reserves being held by fewer and fewer companies. Is it your contention then today that you don't believe this is a serious problem for the industry in Saskatchewan and for the Saskatchewan consumer? Is that what you're saying? Or do you feel that because of the involvement of the independents in the business in Saskatchewan that the large nationals and multinationals won't affect our position with respect to oil and natural gas?

**Hon. Mr. Swenson:** — Oh, I think the article the member's referring to, Mr. Chairman, shows that the majors have to look for the elephants around the world in order to justify their investment on their drilling side.

I think the case in Saskatchewan vis-a-vis the consumer here is that more and more of the companies here have a wider portfolio, things that they're interested in, and you have the case where Saskatchewan today is experiencing probably more horizontal well drilling than anywhere else in the western sedimentary basin. Most of that horizontal drilling being carried on by mid-sized companies, IPAC-style (Independent Petroleum Association of Canada) companies, which shows that this diversification that these types of people are entering into means strength for our province and less reliance on the major companies in this particular province who obviously did most of the development back in the '50s. Most of the development going on today is the Sceptres, the Bow Valleys, the Saskoils, the Huskys, these kind of people. And I think that's a plus for our province.

(1600)

**Mr. Solomon:** — Mr. Minister, I want to now turn to the upgraders, and I guess the Minister of Finance was almost a 100 per cent incorrect in his responses in question period today with respect to the provincial financial rating going down. He also said that the opposition hasn't acknowledged the NewGrade upgrader or the bi-provincial upgrader. And that was his quote, I believe, because I wrote it down when he said it.

And I want to say, first of all, that indeed both projects are acknowledged by the opposition. We're very concerned that any development of our heavy oil resource is undertaken wisely in the province as much as possible. And as the record will show, we do support ... have supported over the last number of decades the co-op movement, in particular, the Consumers' Co-op Refinery, which has been a real major undertaking by the people of Saskatchewan and a very successful undertaking for the people of Saskatchewan. It's an example in our view of a co-operative that has been undertaken by local people, has been operated by local people, and has proven to be successful as a result of this local initiative. And that's been the whole basis of difference in terms of our economic development approach as compared to the government's.

You believe that Cargill and other major multinational corporations existing outside of this province should run our economy, and we see as a result of your belief in that policy, the near bankruptcy situation that we're in and the near devastation of our economy that we've witnessed over the past two or three years by having out-of-province people run our economy.

But getting back to the NewGrade upgrader, I want to start with that, Mr. Minister. We believe in the co-op movement. We believe that CCRL (Consumers' Co-operative Refineries Ltd.) has been a very good corporate citizen; they've employed people in this province.

And I want to start out by just asking you a general question with respect to that monetary policy that I raised earlier. And I want to ask you what has been the impact on NewGrade? What has been the impact on the NewGrade upgrader as a result of the fact that the 80 per cent of their start-up costs is debt as opposed to equity? But what's been the impact of the monetary policy that your government supports with Mr. Mulroney?

**Hon. Mr. Swenson:** — Well, Mr. Chairman, the member is absolutely right on one point — that as the debt portion of the upgrader is financed with borrowed money — when interest rates go up, it will cost more money to service that debt.

I guess, as the member well knows, upgraders were talked about in this province for a long time. We built them. This government is on its second one. We believe in the heavy oil resource of this province, that it will be the future of the oil industry down the road and that our commitment to manufacture our own gasoline, diesel fuel from that resource. That commitment is there producing, in the case of the one here in Regina and under construction with the one in Lloydminster, and in both cases employed an awful lot of people. And we believe that the benefits are there for the people of Saskatchewan.

As the member knows, the upgrading of heavy oil depends on the differential between heavy and light. If the member wishes exact figures on both refineries, I think probably getting into contact with CMB (Crown Management Board of Saskatchewan) or CIC (Crown Investments Corporation of Saskatchewan) would be the place to do those particular financial things.

I believe in the case of the upgrader here in Regina that \$5.50 was sort of the range of the spread. The differential for most of last year was in the 6 to \$7 dollar range and probably right now is closer to \$7 a spread, which for the purposes of upgrading is certainly good news because they have a better margin to work with on their synfuel at the end of the day. So right now I would say the differentials are in favour of the heavy oil upgrading process.

**Mr. Solomon:** — Mr. Minister, when the project was first announced and the sod-turning took place just prior to the last provincial election, the numbers that were talked about were, I believe, \$670 million for cost of the project. Since that time the numbers have been upgraded for the NewGrade upgrader in Regina here to \$700 million.

And I'm wondering if the minister would have access, through his officials, as to where we're at with the financing of the NewGrade upgrader. How much money have we put into the NewGrade upgrader as taxpayers in terms of equity, what percentage of equity, and how much money have we loaned the NewGrade operation?

And has there been any cost overruns and what are they?

**Hon. Mr. Swenson:** — I have some information here, Mr. Chairman, which I'll share with the member. The capital cost of the upgrader was to be covered 20 per cent equity contribution, Government of Saskatchewan; and the remaining 80 per cent was in the form of guaranteed loans, I believe around 56, 57 per cent by Saskatchewan, 43, 44 per cent by Government of Canada. Total capital of the cost of the project, including start up and capitalize the interest — I believe the member mentioned it — it's about \$770 million. Saskatchewan's equity investment in that is 154 million, which is 20 per cent of that figure.

As everyone was aware, there have been technical problems in the start up — some of which were anticipated, some which weren't. The two fires in question certainly weren't anticipated, and they've resulted in, I believe, a further around \$60 million in equity advances. These equity advances are repayable with interest from cash flows of the operation. It's currently up and running and producing about 55,000 barrels a day.

**Mr. Solomon:** — So, Mr. Minister, you're saying that this is now another change in numbers: from 670 million to 700 million to now up to \$770 million, which includes 154 million of Saskatchewan's equity, the balance being debt. And then you're saying that there's another 60 million on top of that. Does that mean the total now goes to \$830 million?

**Hon. Mr. Swenson:** — That's correct, Mr. Chairman. The 60 million is separate from the 770 figure which I gave the member.

**Mr. Solomon:** — So we're now looking at \$830 million on this project, and you say that the final 60 million which was advanced is an equity advance, payable from operations when it becomes profitable, I take it. And the minister confirms that.

Mr. Minister, does this include the recent announcement of an additional 75 million which was forwarded to the NewGrade project for . . . I believe it was for shortfall in revenues because of the last problem they had over the Christmas period and into the new year.

**Hon. Mr. Swenson:** — It's our understanding that there was a ceiling of 75 potentially provided, and what they've drawn is 60 of it in order to fix all the problems and get back on stream again.

**Mr. Solomon:** — So then they've taken 60; they've drawn on that and they have an option to draw another 15 million, which would take it up to about \$845 million in total. Is that correct?

**Hon. Mr. Swenson:** — No, I don't think that's fair, Mr. Chairman. It was 75 was felt to be a number that would cover all eventualities. Operation is up and running at capacity as I mentioned — 55,000 barrels a day — and should have no need for any more.

**Mr. Solomon:** — So you're saying that the NewGrade upgrader has been provided with, in terms of equity and

debt, \$830 million to date; that it's now up and running, which we confirm, and that there will be no more requirement for additional government assistance. Is there . . . is that the assurance you can give this House? What other arrangements do you have, Mr. Minister, with NewGrade and CCRL. Is it possible to table any documentation with respect to this financing in the House today, or some time soon?

(1615)

**Hon. Mr. Swenson:** — I believe that's a two-part question, Mr. Chairman. We don't anticipate any more money being required for the project. Things can happen. I guess they wouldn't have made a blast-proof control room over there if they weren't taking prudent precautions that something can happen on an upgrader site.

As far as the other part of the member's question, the financial stuff, I'll give him the undertaking that anything that hasn't . . . I'll find out anything that hasn't been tabled in this House already that is on the financing side that doesn't infringe on the commercial nature of the project, and endeavour to make that available to the member.

**Mr. Solomon:** — Thank you, Mr. Minister. This \$830 million which is up from the 650 million original estimate, Mr. Minister, is that the total figure including the phase one costs of the upgrader, Mr. Minister?

**Hon. Mr. Swenson:** — As far as I know.

**Mr. Solomon:** — So your officials and you, Mr. Minister, confirm that that's the maximum amount of money that's been committed in terms of loan guarantees, equity advances, and share purchases and other types of financial instruments. That's what you're saying, Mr. Minister? Is that correct?

**Hon. Mr. Swenson:** — To the best of our knowledge, yes.

**Mr. Solomon:** — With respect to the \$60 million equity advance, Mr. Minister, what kind of terms have you with the NewGrade upgrader with respect to that \$60 million? Is this going to be something that's paid back first? How does it stand in terms of the other creditors?

**Hon. Mr. Swenson:** — I believe, Mr. Chairman, I would have to review the documents and see what I can provide to the member in that particular regard.

**Mr. Solomon:** — Mr. Minister, we have a project here that we're trying to get some information about which has the province on the hook for . . . and the taxpayers of Canada on the hook for \$830 million — \$830 million. This makes it the largest economic undertaking of the government in financial terms since 1982 — \$830 million.

And you're standing in the House today saying that the largest economic project which has suffered some problems — and I might even agree beyond the responsibility of this government — with some outside problems. But you do not have, Mr. Minister, in this House for the members of the legislature and the taxpayers of the province, the financial details with

respect to this operation.

Now that concerns me, Mr. Minister. It concerns me because this is not something that's rare among your colleagues and yourself. We witnessed today in question period the Minister of Finance who didn't have a clue about the 248 million deal with Weyerhaeuser, didn't have any figures available either on his desk, in his briefing notes, or in his head. And that's using the term loosely.

And now we see the former minister of Finance briefing you earlier in response to my questions with respect to the potash deal, and he's the last guy you want to take briefing instructions from in terms of financial dealings because he's the guy who misled the province and misled the taxpayers of this province to the tune of a billion dollars in his budget in 1986.

And now you're telling us that you don't have all of the details with respect to an \$830 million project. Mr. Minister, I'm wondering if you could get the information for 7 o'clock this evening, through the supper break, and bring it back to the House.

**Hon. Mr. Swenson:** — Mr. Chairman, it's been a long-standing practice of this House that commercial applications of . . . and I might remind the member that the financing for this particular project is carried on between CIC and the Co-op and that anything to do with a commercial nature never has been tabled in this House. I gave the undertaking that anything that we could review and find pertaining to the financing arrangement of this particular deal that isn't of a commercial nature that hasn't already been tabled or is public information that we would dig it up and make it available to the member. And I give him that undertaking.

**Mr. Solomon:** — Well, Mr. Minister, I'd like you to have somebody look into this for us, if you could, with respect to the public documentation, because the numbers that I have don't seem to jibe with the \$830 million, and we've gone over some . . . and I don't know whether these numbers are 100 per cent accurate, but our numbers don't jibe with the \$830 million, with respect to the public documentation.

And I'd like your officials to check and get back to us with respect to the public financial end on the following items, and I guess one is with respect to phase 1 costs which totalled \$140 million in a government loan and \$1 million in equity for class B shares. And then from that, phase 2 costs, which we're told as a result of reviewing some of the orders in council, additional costs of equity of \$234.751 million, a loan guarantee by Saskatchewan for \$360 million and a loan guarantee by Canada for \$274,652,700. And I believe those numbers include the \$75 million you referred to, so we may be out by \$15 million. But that number, phase 2 is 869,652,700.

And I'm not 100 per cent sure on these figures, but if I added them up properly by adding phase 1 and phase 2 the total costs reach a little over a billion dollars Canadian. And I'd like the officials to kind of check that — 830 million is very high; a billion is a little higher — and I'd like to have some confirmation from you and your

officials as to what the actual number might be for phase 1, phase 2, equity, debt breakdown, and in particular the loan guarantee stuff. Could I have that assurance, Mr. Minister?

**Hon. Mr. Swenson:** — We'll certainly undertake that review for the member.

**Mr. Solomon:** — Mr. Minister, do you have the information in the House today for phase 1 by any chance?

**Hon. Mr. Swenson:** — No, Mr. Chairman, we'll have to get this information from CIC.

**Mr. Solomon:** — How soon could you do that, Mr. Minister?

**Hon. Mr. Swenson:** — Just as soon as we can do it. It may be a day; it may be two days, but we will do it as quickly as possible.

**Mr. Solomon:** — Okay, Mr. Minister, I appreciate your sincerity in trying to get the answer for us. And I'd like to ask the minister if he could undertake to have someone do that between now and 7 o'clock. That's about two and a half hours, and I'd appreciate getting it at that time. I know the information is there. There's a whole list of orders in council which adds to our figures, and I just want to make sure that we haven't double added.

But I'd like the minister to have a quick phone call made to the person who's in charge of the orders in council for the Government of Saskatchewan. I'm sure they could just total them up on the computer. And if not that, certainly the Crown Management Board or somebody in that government would have some idea how much money they've committed in terms of guarantees and loans and equity pay-outs. Is that possible, Mr. Minister?

**Hon. Mr. Swenson:** — Mr. Chairman, our figures show that the totals that I gave are cumulative. We believe the member is double adding something with his figures, and we will check them as soon as possible.

I believe by prior agreement I'm not in the House this evening at 7 for estimates. But I can't get that in any case, that confirmation that that isn't the cumulative total, by 7 o'clock.

**Mr. Solomon:** — Well, Mr. Minister, first of all, there's been no prior agreement about 7 o'clock, and I hope the minister hasn't hired a plane to fly him out of town. But in any event, we wish to pursue this this evening. I have some other questions I wish to raise at that time, and I believe there's others in our caucus that want to raise some questions at that time as well. So I'll get back to that then, Mr. Minister.

And, Mr. Chairman, I'd like to now give up my place for my colleague, the member for Saskatoon.

**Mr. Prebble:** — Thank you very much, Mr. Chairman. Mr. Chairman, I have some questions for the minister with respect to plans for new uranium mines in the province of Saskatchewan, particularly in light of a number of factors,

many of which are environmental, but one important factor is the future price of uranium, Mr. Minister.

And I see the government is planning, through its investments in Cameco, to significantly expand the number of new uranium mines in the province of Saskatchewan. And you're planning that, Mr. Minister, at a time when many countries are abandoning the nuclear option.

You must be aware of the fact, sir, that the Dutch for instance have deferred plans for the construction of new reactors in their country. You must be aware of the fact that Italy has decided, as of September 1989, to close down all of its nuclear power plants there — three reactors are being dismantled and the fourth is being moth-balled. You must be aware of the fact that in Britain the government has failed in its attempt to privatize the nuclear industry there, and in light of that failure has decided to scrap plans for three reactors that it was intending to build in the 1990s.

In the United States there's not been a new order for a nuclear reactor now for approximately a decade, and the financial institutions that monitor the future of the industry in the United States, and particularly the very prestigious publication *Nuexco* is saying that it is highly unlikely that there will be any new orders for reactors in that country between 1990 and the year 2010. And nine reactors in the United States that are either partially or fully completed have been deferred for financial or political reasons. And as you know, two others that are currently under order have also been deferred.

(1630)

Now your department obviously has access to all this information, Mr. Minister, and a good deal more that I don't have time to make reference to today.

Now clearly in light of that information, and in light of the very significant stockpile that exists currently in the world, a large uranium stockpile that is regularly drawn on, it should be clear to you, sir, that the price of uranium is not going to rise in the decade ahead. And currently we have an all-time low in the price of uranium fuel, Mr. Minister, an all-time low in the history of the civilian nuclear industry.

And my question to you is, how can you justify an expansion of uranium mining in the province of Saskatchewan in light of the fact that uranium prices are going to stay low? Very significant capital investments will have to be made by Saskatchewan people with absolutely no prospect of any financial return on those investments?

**Hon. Mr. Swenson:** — First of all, Mr. Chairman, in response to the member's question, the Department of Energy and Mines does not build any type of mine in this province.

And vis-a-vis the outlook for the royal uranium market, I don't think the member can draw quite so conclusive conclusions from the figures that he just listed off. Certainly some countries are re-evaluating their electrical



generation options, but other countries are going full steam ahead, shall we say, with the nuclear option. And I believe as the environmental question grows over time with the environment, quality of air, that type of thing, that certainly it will be a re-evaluation that many people are going to have to take.

And certainly the nuclear option is one that, because it doesn't produce any of those greenhouse gases, is one that certainly will be looked at in a big way. And we don't anticipate anyone to wish to open a uranium mine in Saskatchewan to lose money, and they mine uranium to make a profit. And certainly we collect royalties on those profits and they return to the province and to the people of this province. So I don't anticipate anyone undertaking such a venture if they can't make a profit out of it.

**Mr. Prebble:** — Well, Mr. Minister, let me make two points with respect to the comments that you have made and then ask you an additional question. You say first of all that countries are going to opt for nuclear power in light of concerns about things like the greenhouse effect. But as you should know, and all you have to do is look at utilities south of the border to witness this, U.S. utilities are not opting to build new nuclear power plants in light of the greenhouse effect, Mr. Minister. What they're opting to do is invest in energy conservation. All you have to do is look at the record of utilities in Maine or in Washington to see that, Mr. Minister.

And second, with respect to your claim that investments in the uranium industry are unlikely to be made unless there are profits to be reaped from them, your government's record over the last several years, Mr. Minister, runs in the face of that.

All you have to do is look at the returns this year to Saskatchewan Mining Development Corporation, which are less than 3 per cent of your equity, Mr. Minister. And you can see that that's not the case, because it's your government that is the major investor in uranium mining in the province of Saskatchewan. And you're not even able to reap a return on that investment, Mr. Minister, that would be 30 per cent of the return you could have obtained if that money had been placed in a credit union or a financial institution in this province or any other, Mr. Minister.

Now, Mr. Minister, I want to ask you another question, and that is in light of the fact . . . there are obviously many considerations here other than simply financial ones, and one of them is the future of the environment in northern Saskatchewan and the future of our lakes in northern Saskatchewan, and also, Mr. Minister, a concern that I think a lot of Saskatchewan people have about the unresolved problems with respect to high-level nuclear waste that all uranium that is mined in northern Saskatchewan will become.

And my question to you, sir, is this: how can your department justify licensing new uranium mines in the province of Saskatchewan in light of the fact now that at two of the existing mines we have had major spills of radioactive materials, the most recent of which has contaminated a spawning ground outside one of our most valuable commercial fishery resources in the North,

namely Wollaston Lake? How can you justify proposed new mine developments at Wollaston Lake in light of those kinds of activities?

And how further, Mr. Minister, can you justify the licensing of new uranium mines in the province of Saskatchewan in light of the fact that an all-party committee of the House of Commons just over a year ago recommended to the House of Commons that new nuclear power plants in Canada should not be licensed unless, Mr. Minister, the problem of disposing of high level radioactive waste is resolved in this country and globally, Mr. Minister. And obviously that logic should apply to new uranium mines as well. The logic of the committee clearly should apply to new uranium mines, just as it applies to nuclear power plants.

So in light of the problem of high level nuclear waste disposal, and in light of the risk that new uranium mines poses to the northern environment, how do you justify licensing new mines in the province of Saskatchewan?

**Hon. Mr. Swenson:** — Mr. Chairman, as the member well knows, this government inherited its uranium investment in mines from another government. Licensing is not done by Energy and Mines; licensing is done by the Department of the Environment and the federal government through atomic energy commission and their federal Department of the Environment.

The member knows full well that through an extended public process in this province that the containment of waste at the mine sites is monitored. It's probably the best in the world, I would say, because of the public inquiries that were held, the method that we use here.

And he also knows that wastes from reactor sites are contained at . . . the small amounts of highly radioactive wastes are contained at the reactors in very safe conditions. And once again, through the atomic energy commission of Canada, there are very stringent rules applied to the storage of that waste. And Canada has a very exemplary record in that regard vis-a-vis other countries in the world.

So I certainly haven't heard of any conclusive contamination of a spawning ground in northern Saskatchewan. But if the member has some documented evidence that this spawning ground is contaminated for ever and ever, I'd be happy to see it.

**Mr. Prebble:** — Mr. Chairman, to the minister. Mr. Minister, really this is a very inadequate defence. First of all, Mr. Minister, you know full well that monitoring at uranium mines in northern Saskatchewan is far from satisfactory. In fact, Mr. Minister, your government has even gone so far to do away with the monitoring committees that had previously been set up under the former NDP administration.

All you have to do is ask yourself the question, where is the monitoring committee today at Key Lake or at Wollaston Lake, that were supposed to be there by way of the original lease agreements, Mr. Minister. And you will find that those monitoring committees which were supposed to provide opportunity for community

representation were never set up after the government changed, Mr. Minister.

So don't talk to us about good monitoring. You will recall, Mr. Minister, that the monitoring being done by your government at Wollaston Lake was so inadequate in fact that the major spill that occurred there last year went undetected for almost a full day after it occurred, which is unbelievable, Mr. Minister.

You will recall, going back five or six years to the Key Lake spill, that your officials were so incompetent, Mr. Minister, that after that massive spill occurred at Key Lake, your officials couldn't find the spill for three days, Mr. Minister — three days they were measuring and monitoring the wrong body of water. They couldn't actually locate the spill that had occurred which is very difficult for any member of the public to understand, let alone believe, Mr. Minister. But that in fact was the case and you know that full well, so don't talk to us about adequate monitoring.

Now, Mr. Minister, I want to ask you one more question and it relates to a commitment that the former minister of Energy made in this House, when estimates were last being reviewed, with respect to the question of the sale of uranium to nuclear weapon states and specifically to the United States, Mr. Minister. And I have said several times in this House before and I repeat it again this afternoon, that your government is turning a blind eye to a flagrant violation of the agreement that exists between Canada and the United States with respect to a promise by the United States not to use Canadian uranium for nuclear weapons.

And this promise, Mr. Minister, is being broken every day. In fact, Mr. Minister, it has been acknowledged now by U.S. officials, and your department knows this full well, that approximately one-quarter of all the uranium in U.S. nuclear weapons today is of Saskatchewan origin. And Saskatchewan uranium day after day continues to go into the U.S. nuclear weapon system, Mr. Minister. And you know that full well.

Now the former minister of Energy promised us last year, Mr. Minister, that there would be an examination of this issue. And I want to know today from you, sir, what examination has your department undertaken of this matter; what conclusions have you reached; can you table a copy of that examination in the House? And unless, Mr. Minister, you can prove to us that Saskatchewan uranium is not going into U.S. nuclear weapons, I say it is incumbent on you, sir, to cut off sales of uranium from Saskatchewan to the U.S. immediately.

(1645)

**Hon. Mr. Swenson:** — Well, Mr. Chairman, we went through this discussion just a week or so ago in Crown corporations when I was in to do the SMDC report. The member knows full well that the federal government monitors those exports.

Canada, since 1965 has had a policy in place as far as the non-proliferation treaty. In fact I have since found out since that particular meeting that the member and I were

at, that he raised the country of France in regard to this, that France has gone so far as to sign a separate agreement with the Canadian federal government vis-a-vis uranium exports from Canada to that particular country. And no one can trace uranium at the molecular level, but Canada's record in this whole procedure is well-known, well founded, and I think basically one of the leading lights in the world today as far as the export of uranium.

**Mr. Anguish:** — Thank you, Mr. Chairman. Mr. Minister, last day we talked about quarrying leases in gravel pits. I'm wondering if you can tell me today when the quarrying lease was issued on quarry lease number Y-7406, the exact date that that quarrying lease was issued, and who it was issued to.

**Hon. Mr. Swenson:** — I believe that lease agreement was done on March 6, 1990, with a Mr. Allan Wagman of Meadow Lake, Saskatchewan.

**Mr. Anguish:** — Sir, could you provide me with a copy of that quarrying lease that was issued on, you said March 6, 1990?

**Hon. Mr. Swenson:** — I will endeavour to do that.

**Mr. Anguish:** — Well I'd prefer you didn't endeavour to do it; I'd prefer you gave me a copy of the quarrying lease.

Mr. Minister, I can't believe how blatant this deal is. You issue a lease on March 6, 1990, and I have here a letter from the director of mines branch dated March 9, which is three days after you've issued the lease.

And I'll just read the letter to you. It's to the RM of Meadow Lake. It says, Dear Mr. Wilkinson — he's the administrator of the RM — and the letter from the director of the mines branch says:

Thank you for your letter of March 7 requesting a meeting to discuss concerns with respect to the issuing of quarry leases. As we are in the process of revising quarrying regulations, we will be interested in hearing your comments. With the House resuming session, the minister will not be available to participate in the meeting. As per my telephone conversation, the meeting is scheduled for 9 a.m. on March 16, 1990. The meeting will be held in the board room of the 12th floor of our offices. It can be found at 1914 Hamilton Street, Toronto-Dominion Bank Building.

Mr. Minister, you lead the rural municipality to believe they still have interest in the gravel pit, the quarrying lease that we're referring to here, and you've already issued a quarrying lease to an individual over the request of the rural municipality.

Mr. Minister, how do you explain that, that you deceived the RM by leading them to believe they can still gather their interest in this quarrying lease when you've already issued it at a time earlier, in fact three days earlier than the letter was written, Mr. Minister? How do you come clean on that and explain that to the rural municipality?

**Hon. Mr. Swenson:** — Mr. Chairman, as the member well

knows, and I believe he got this package of correspondence this morning. I sent it around. It was all the stuff he requested yesterday, the documentation. That as of March 26 . . . or February the position of the department was clearly made to the RM in question, and the various quarrying leases which they had were reviewed. That particular RM did not ask for cancellation of their leases until March 7 which was afterwards.

I don't have anything to square away. The procedure was followed to a T. The member has the correspondence, and this department just did normal procedure.

**Mr. Anguish:** — This procedure is not normal. I want to quote to you now, Mr. Minister, from a statement of fact issued by the Rural Municipality of Meadow Lake and signed by the rural municipality. Now I want you to listen to this, Mr. Minister:

On or about January 24, 1990, Liz Turley of Rural Development lands branch called to say they needed a release from the rural municipality for their quarrying rights to the north-east 10 acres of LSD 5, 14-61-21-W3. She explained that she needed it right away and that the original request had gone to the wrong rural municipality. At this time there was a reference made to LSD 6. I said I would have to make a phone call to Highways in North Battleford and get back to her.

The statement of fact goes on to say:

I called Liz Turley and told her I would stick my neck out and send her a release for the quarrying rights to LSD 5 as Mr. Wagman had always leased this land, and I didn't think the RM would interfere with his lease. But I didn't send a release for LSD 6 as I did not know what the council's reaction would be.

The letter goes on, Mr. Minister, but in this point I point out to you that they say in a statement of fact that the letter was sent to the wrong rural municipality, and I appreciate also that you were so diligent in sending me a copy of the information. I call into question what you've sent, and we'll deal with that later, how the carbon copy is typed on the bottom of the letter, Mr. Minister. I'd like you to explain that one.

But I'll go on by this statement. During the week of February 5, 1990, Kelly Klyne from Energy and Mines phoned and asked for a release of quarrying rights for LSD 6 (legal subdivision). I said I couldn't give it to her because it required council's consideration. Okay? February 5, that's your department; they're informed that the RM can't make the decision because the council hasn't met yet. You had that verbally over the telephone.

On February 12, 1990 George McLeod phoned to say that Energy and Mines people were telling him that the RM was going back on the deal for LSD 6. I explained to Mr. McLeod that the RM did not have an opportunity to go back on the deal as they had no knowledge of the deal in the first place, and that the request to release the RM's quarrying rights was to go to council on a meeting today, but because of a snowstorm the meeting was called off

and rescheduled for February 14, 1990.

Now in conclusion, Mr. Minister, it says here that this matter was brought to council's attention at their meeting of February 14, 1990, at which time council decided not to release their quarrying rights on LSD 6, and in fact assure their rights to the gravel by applying to the Rural Development lands branch to purchase or lease the west 20 acres of LSD 6, 14-61-21-W3, and also apply for a quarrying lease from Sask Energy and Mines for this land.

Now, Mr. Minister, I would ask you first off, who is it in Energy and Mines when the statement refers to Energy and Mines people, who was it that informed the hon. member from Meadow Lake that the RM was backing out on some kind of deal that they had made to let their gravel go?

Mr. Minister, I ask you who were those individuals in your department who informed the hon. member from Meadow Lake that the RM in fact is backing out on a deal that the member felt compelled to phone the rural municipality and inquire as to why they weren't releasing their quarrying rights?

**Hon. Mr. Swenson:** — Well, Mr. Chairman, as per the correspondence which I sent to the member yesterday, we did contact by letter the RM in question. They did respond to us twice, on February 16 and 20. We responded back to them on the 26, I believe it was, of February. The RM in question may have had several meetings in between. We would have no knowledge of that and we would have no knowledge of any conversations that the hon. member from Meadow Lake might have with an RM council within his riding. That wouldn't enter into Energy and Mines' procedures at all.

The RM — I believe the question came up yesterday about whether this letter in fact did get to them — and the RM were able to identify Miss Kelly Klyne as the acting supervisor in their reply within a week. And the only way that they could have got Miss Klyne's name would have been to get it off the copy of the letter which they received. And they were very prompt in getting back to Miss Klyne. So in fact they did receive the copy that the member questioned yesterday.

And as far as the cc (carbon copy) part on the other, I believe that was recognized as not being on the original and was put on to ensure that the cc went out with a different typewriter. But in fact the RM obviously knew who they were dealing with because they got back to Miss Klyne and they wouldn't know her from a hole in the wall if they didn't have her names.

**Mr. Chairman:** — Order. Being near 5 o'clock the committee's recessed till 7 p.m.

The Assembly recessed until 7 p.m.